KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
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For electronic version, see KAW_APP_TOC_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 1

Description of Filing Requirement:

Present Tariffs

Response:

Please see attached for copy of Present Tariffs.

For electronic version, see KAW_APP_EX01_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY

2300 Richmond Road
Lexington, KY 40502

http://www.amwater.com/kyaw

RATES – CHARGES – RULES – REGULATIONS

FOR FURNISHING

WATER SERVICE

AT

BOURBON, CLARK, FAYETTE, GALLATIN, GRANT, HARRISON, JESSAMINE, OWEN, SCOTT, WOODFORD, AND ROCKCASTLE COUNTIES IN KENTUCKY

FILED WITH THE

PUBLIC SERVICE COMMISSION

OF

KENTUCKY

ISSUED: : **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Approved: Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

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First Sheet No. 1

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
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KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
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KENTUCKY-AMERICAN WATER COMPANY

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1. DEFINITIONS APPLICABLE TO RULES & REGULATIONS

1.1 "Commission" means the Kentucky Public Service Commission.

1.2 "Company" shall mean the Kentucky-American Water Company acting through its officers, managers, or other duly authorized employees or agents.

1.3 "Customer" shall mean any person, firm, corporation, entity or municipality supplied with water service by Kentucky-American Water Company pursuant to these Rules and Regulations.

1.4 "Bona fide prospective customer" shall mean any owner or lessee who is to be the occupant of an existing developed premises having a curb line abutting on that part of a street or public highway in which there is, or is to be, located a distribution main of the Company, who shall file a signed application for a new street service connection and for water service to such premises to be occupied.

1.5 "Residential" – Sales to single premise residences, or to multiple premises residences where each premises is served through a single Meter. Sprinkler services added to existing premises coded as residential would also be coded as residential. For premises served through a single Meter with multiple owners, where usage is primary for residential purposes, and the water is billed to a homeowner association such as a condominium complex they will be classified as residential and charged the residential rate.

1.6 "Commercial" – Sales to multiple premises residences served through a single Meter or battery of Meters. This would include two (or more) family houses and apartment houses. Sales to private schools, colleges, hospitals, churches and other private educational, cultural, social or religious organizations. Sales to business or manufacturing establishments where the water is not used principally in manufacturing or processing functions. This would include commercial offices of public utilities. Examples under this category are: stores, laundries, cleaners, shoe repair and other service establishments, garages and service stations, office buildings, sales offices or manufacturing or processing establishments, retail florists, theaters, bowling alleys, swim clubs, golf courses, manufacturing or processing establishment where water is used principally for sanitary purposes, barber shops. Water used for irrigation for agricultural purposes would normally be coded as commercial. Sprinkler services added to existing premises coded as commercial or industrial would also be coded as commercial.

1.7 "Industrial" – Sales to manufacturing of processing establishments where the water is used principally in manufacturing or processing function. This would include public or private utility plants using water for steam generation, power production, etc.

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Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

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1.8 Other Public Authority or "OPA" – Sales to municipal, county, state or federal agencies (other than the sales of water for resale). Examples under this category are: city buildings, public schools, public housing developments, libraries and hospitals, fire stations, county, state and federal buildings and agencies.

1.9 Sales for Resale or "Resale" – Sales to private or public water utilities where the water is to be resold to customers of the utilities.

1.10 "Meter" means a device which measures and records the quantity of water supplied to a Customer.

1.11 "Company Service Line" means that portion of the water service line and appurtenances from the main to the Customer Service Line that is paid for and/or owned by the Company.

1.12 "Customer Service Line" means that portion of the water service line and appurtenances from the Customer's Premises to the Company Service Line, which is paid for and/or owned by the Customer. When the Meter is outside the Premises, the Customer Service Line is from the Meter pit to the Premises. When the Meter is inside the Premises, the Customer Service Line is from the stop box to the Premises.

1.13 "Premises" as contemplated in these Rules, shall mean and include:

1.13.1 A building under one roof and occupied as one business or residence; or

1.13.2 A combination of buildings owned or leased by one party in one common enclosure or a single tract of land not crossed by public streets, roads, or ways, and occupied by one family or business; or

1.13.3 a building owned or leased by one party, having two or more apartments, offices, or suites of offices, and using one or more halls and entrances in common; or

1.13.4 a double house having a solid vertical partition wall or a building erected as a single family residence served through one street service connection and subsequently converted into apartments or offices or a combination of such, and where separate water supply plumbing would not be practicable; or

1.13.5 each residential or business single occupancy unit, served through one street service connection in a building which is not a premise otherwise defined in these Rules.

1.13.6 any other location at which the Company provides metered service to a Customer in

accordance with these Rules regardless of whether there is a structure or building at that exact location.

1.14 "Fire Service Connection" is one to which is attached fixtures from which water is taken only for the extinguishment of fire.

1.15 "Public Fire Hydrant" - All public fire hydrants contracted for or ordered by Urban County, Municipality, County, State or Federal Agencies or Institutions. These must be located on or immediately adjacent to public right-of-way.

1.16 "Private Fire Hydrant" – All hydrants contracted for or by private entities on private property for the use of that entity or on private right-of-way. Also for public agencies for hydrants not located on public right-of-way.

1.17 "New Private Fire Hydrant Service" is available to areas before such time as a unit of government shall agree to pay public fire protection charges thereon in accordance with Rule 11 herein.

1.18 "Private Fire Service" – All private and public fire protection service lines with hose connections or sprinkler systems charged by line size.

1.19 "Temporary Service Connection" is one which is installed for the temporary use of water, including service to individual mobile homes. Provided: They are located on lots having a curb line abutting on that part of a street or public highway in which there is, or is to be, located a distribution main of the Company extending for at least one-half of the frontage of the lot on said street or highway.

1.20 "Rate" means the Company's Schedules of Rates and Tariffs then in effect.

1.21 "Rules" or "Rule" means these Company Rules and Regulations applicable to water service.

2. SERVICE & APPLICATIONS

2.1 Rules and Regulations Governing Rendering of Service

(a) The Rules and Regulations in their entirety as hereinafter set forth or as they may hereafter be altered or amended in a regular and legal manner shall govern the rendering of water service and every Customer will be bound thereby. The Rules and Regulations and Service Classifications contained in this tariff apply in the service territory of Kentucky-American Water Company.

Approved:
KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
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(b) Except fire and some special connection services, all service will be rendered on a Meter basis. Residential, commercial, industrial and OPA service are only regularly available for single Premises as "Premises" is defined in these Rules.

2.2 Requests for Water Service

(a) All persons, entities, firms, corporations or OPA's desiring water service, must request service from the Company in a manner prescribed by the Company, setting forth all purposes for which water will be used at the Premises for which service is requested. All information provided by the Customer must be true, accurate and kept up to date.

(b) Any change in the identity of the Customer at a Premises will require a new request for water service and the Company may, after reasonable notice, discontinue the water supply until such new request has been made and accepted.

(c) A Customer who has requested service and been accepted by the Company, shall be held liable for all water service furnished to the Premises until such time as the Customer properly notifies the Company to discontinue the service for his/her account at the Premises.

(d) An activation fee will be charged in accordance with the Company's Tariff.

(e) No Customer receiving water service from the Company will be permitted to use water for any other purpose than that for which they shall have requested and the Company shall have approved.

(f) The Company may refuse service to a Customer with an outstanding, unpaid balance due until the Customer pays the balance due.

2.3 Special Arrangements for Water Service

(a) Water for building or construction purposes must be specially applied for.

(b) Connections for private fire service and private fire hydrant service must be specially applied for.

(c) Water for transient or temporary purposes must be specially applied for.

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3. BILLING, ABATEMENTS & REFUNDS

3.1 Abatements and Refunds

Abatement shall be made for leaks in service pipes or fixtures belonging to the Customer in accordance to Tariff.

3.2 Meter Bill Adjustment

(a) Whenever a Meter in service is found upon periodic request or complaint test to be more than two percent (2%) fast, additional tests shall be made at once to determine the average error of the Meter. Said tests shall be made in accordance with the Commission's regulation applicable to the type of Meter involved. Meter testing shall be conducted in accordance with the then-applicable Rules.

(b) Determination of Meter Error for Bill Adjustment Purposes. When upon periodic request or complaint test, a Meter is found to be in error in excess of the limits allowed by the Commission's regulations, three additional tests shall be made; one at 75% of rated maximum capacity; one at 50% of rated maximum capacity; one at 25% of rated maximum capacity. The average Meter error shall be the algebraic average of the errors of the three tests.

(c) If the result of tests on a Customer's Meter shows an average error greater than two percent (2%) fast, then the Customer's bill, for the period during which the Meter error is known to have existed, shall be recomputed and the account adjusted on the basis of the test. If the period during which the error existed cannot be determined with reasonable precision, the time period shall be estimated using the data as elapsed time since the last meter test, if applicable, and historical usage data for the customer. If that data is not available, the average usage of a similar class of customers shall be used for comparison purposes in calculating the time period. (See exception in Section (f) of this Rule).

(d) If the result of tests on a Customer's Meter shows an average error greater than two percent (2%) slow, then the Customer's bill for the period during which the Meter error is known to have existed, may be recomputed and the account adjusted on the basis of the test. If the period during which the error existed cannot be determined with reasonable precision, the time period shall be estimated using the data as elapsed time since the last meter test, if applicable, and historical usage data for the customer. If that data is not available, the average usage of a similar class of customers shall be used for comparison purposes in calculating the time period. The Company will limit the period of recovery for under-billing to only the most recent twelve (12) months of under-billing, even

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
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if the under-billing occurred for a longer period.

(e) It shall be understood that when a Meter is found to have an error in excess of two percent (2%) fast or slow the figure for calculating the amount of refund or the amount to be collected by the Company shall be that percentage of error as determined by the test; i.e., it is the duty of the Company to maintain the accuracy of its measuring device as nearly one hundred percent (100%) as is commercially practicable. Therefore, percent error shall be that difference between one hundred percent (100%) and that amount of error as indicated by the test.

(f) The burden of maintaining measuring equipment so that it will register accurately is upon the Company; therefore, if Meters are found upon test to register fast and if time for periodic test has overrun to the extent that one-half (1/2) of the time elapsed since the last previous test exceeds twelve (12) months, the refund shall be as specified in Section C of this Rule and in addition thereto, a like refund for those months exceeding the periodic test period; provided, however, that the Commission may relieve the utility from this requirement in any particular case in which it is shown that the failure to make the periodic test was due to causes beyond the utility's control.

3.3 Terms and Conditions of Billing and Payment

(a) All fire service charges shall be payable monthly in arrears.

(b) Bills for water service by Meter will be rendered monthly with ending dates as may be determined by the Company.

(c) Bills for private fire hydrants shall be payable quarterly in advance, except that the charges for private fire hydrant service shall be payable as set forth in Rule 11.

(d) Special charges shall be payable upon demand.

(e) All bills for water and service are due and payable when rendered and are considered delinquent if not paid in accordance with Tariff and Commission regulations. Failure to pay will render the Customer subject to disconnection and subject to payment of reconnection in Tariff. If any bill for water service is not paid in accordance with Tariff, the service may be discontinued in accordance with Rule 4, Disconnecting & Reconnecting Service.

(f) Customers are responsible for furnishing the Company with their correct billing addresses (email or postal address). Failure to receive bills will not be considered an

Approved:

KENTUCKY
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Executive Director
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excuse for non-payment nor permit an extension of the date when the account would be considered delinquent.

(g) All bills will be sent to the billing address (email or postal address) provided when requesting water service unless the Company is notified in writing by the Customer of any change of billing address.

(h) The Company will not be bound by bills rendered under mistake of fact as to the quantity of service rendered.

(i) The use of water by the same Customer in different Premises or localities will not be combined.

(j) If for any reason service is discontinued before the expiration of twenty-five (25) days from commencement of service, a bill for a prorated portion of the minimum service charge for the month will be rendered.

(k) Residential Customers may elect to participate in a monthly budget billing payment plan. Under such a plan, Customers shall pay a fixed monthly amount determined by the Company based on historical or estimated usage. A Customer may enroll in such a plan at any time by contacting the Company. The Company will issue bills so as to bring each customer's account current once each 12-month period or through a series of levelized adjustments on a monthly basis if usage indicates that the account will not be current upon payment of the last monthly budget amount. If a Customer fails to pay bills as required under the plan, the Company reserves the right to remove the Customer from the plan, restore the customer to regular billing, and require immediate payment of any deficiency.

4. DISCONNECTING AND RECONNECTING SERVICE

4.1 Discontinuance of Water Service

(a) Water service will be discontinued to any Premises on account of temporary vacancy upon request of the Customer, without in any way affecting the agreement in force, and upon payment of all charges due as provided for in the Rates and Rules of the Company.

(b) The Company shall discontinue the Customer's service for violation of any Rule or for non-payment of bills upon providing the Customer with at least ten (10) days written notice delivered by mail or personally delivered to him/her or a member of his/her household, advising the Customer of what Rule had been violated and for which service will be

KENTUCKY-AMERICAN WATER COMPANY

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discontinued if violation continues. However, discontinuance of service shall be effected no less than twenty (20) days after the mailing date of the original bill unless, prior to discontinuance, a residential customer presents to the Company a written certificate, signed by a physician, registered nurse or public health officer, that such discontinuance will aggravate an existing illness or infirmity on the affected premises In that case, discontinuance may not be effected for thirty (30) days beyond the termination date as calculated a Where fraudulent use of water is detected, or where the Company's regulating or measuring equipment has been tampered with, or where a dangerous condition is found to exist on the Customer's Premises, service may be shut off without advance notice. Subject to the foregoing provisions, service rendered under any application, contract or agreement may be discontinued by the Company for any of the following reasons:

i. For willful or indifferent waste of water due to any cause which adversely affects either water service to other Customers or the Company's utility operation.

ii. For failure to protect from injury or damage the Meter and connections, or for failure to protect and maintain the service pipe or fixtures on the property of the Customer, in a condition satisfactory to the Company.

iii. For interfering or tampering by the Customer, or others with the knowledge of the Customer, with any Meter, connection, service pipe, curb stop, seal or any other appliance of the Company controlling or regulating the Customer's water supply.

iv. For failure to provide the Company's employees free and reasonable access to the Premises or for obstructing the way of ingress to the Meter or other appliance of the Company controlling or regulating the Customer's water supply (with at least fifteen (15) days advance written notice).

v. For non-payment of any account for water supplied, for water service, or for Meter or service maintenance, or for any other fee or charge at the Premise accruing under these Rates and Rules. Discontinuation of service for non-payment on an account shall only be made at the Premise associated with that Account and will not occur for other accounts held by the same Customer that are current in payments unless the Customer has requested multiple accounts or premises be combined for billing purposes.

vi. In case of vacancy of the premises.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
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vii. For violation of any other Rule or Regulation of the Company or State and Municipal Rules and Regulations applying to the Company's water service.

(c) In cases where plumbing has been installed prior to adoption of and not in accordance with these Rules, and where water is being taken through a single service pipe to supply two or more Premises, the party making application shall be responsible for all water bills and other legitimate charges. Any violation of the Company Rules with reference to either or any of the said Premises or for the supply of water thereto, shall be deemed a violation as to all, and the Company may enforce compliance with these Rules by shutting off the entire service except that such action will not be taken until the innocent Customer who is not in violation of the Company's Rules, has been given a reasonable notice and opportunity to attach his pipes to a separately controlled curb stop, to be provided by and at the expense of the

Company.

(d) Discontinuing the supply of water to a Premises for any such reason shall not prevent the

Company from pursuing any lawful remedy by action at law or otherwise for the collection of moneys due from the Customer.

4.2 Renewal of Water Service After Discontinuance

(a) When water service to a Premises has been terminated for any reason other than temporary vacancy, it will be renewed only after the conditions, circumstances or practices which caused the water service to be discontinued are corrected to the satisfaction of the Company, and upon payment of all charges due and payable by the Customer in accordance with the Rates and Rules.

(b) No Customer whose service has been turned off shall turn on same, or have same done by anyone other than the Company.

4.3 Reconnection Charge

When it has been necessary to discontinue water service to any Premises because of a violation of the Rules or on account of non-payment of any bill, a charge will be made to cover the expense as set forth in the Company's Schedule of Rates and Charges. This charge, together with any arrears that may be due the Company for charges against the Customer, must be paid before the water will be reconnected.

5. COMPLAINTS

5.1 Customer Complaints

Any complaint against the service or employees of the Company may be made at the office of the Company or by telephone, mail or email. The Company will handle all Complaints in accordance with regulatory requirements.

6. METERS, TESTING AND ACCURACY

6.1 Meters

(a) Water will be sold by Meter measurement only.

(b) All Meters, except detector devices and/or fire service line Meters, will be installed, maintained and replaced by; and at the expense of the Company, but in case of damage to such Meters by reason of any act, neglect or omission on the part of the Customer (such as damages occasioned by accident or misuse or purposeful actions) the Customer shall pay to the Company the cost of its repair on presentation of bill therefore.

(c) The Company reserves the right to determine the kind and size of Meter that shall be placed on any service pipe, and such Meters will be furnished, installed and removed by the Company alone, and shall remain its property.

(d) Each Premise shall be supplied through an independent Meter setting.

(e) If more than one Meter setting is installed upon a Customer's Premise, the usage of all Meters on a Premise may be combined for billing purposes if so requested by the Customer. Combined billing will be continued as long as the Premises criteria is met.

(f) All Meters are accurately tested before installation and are also periodically tested in accordance with the Public Service Commission's regulations. The Company may at any time remove any Meter for periodic tests or for repairs or replacement and may, at its option and expense, test any Meter when the Company has reason to believe that it is registering inaccurately.

(g) The Company shall make any test of any Meter upon written request of the Customer if the request is not made more frequently than once each twelve (12) months. The Customer shall be given the opportunity to be present at the requested test. The Customer may be billed the actual cost of making the test, but should the said Meter be found, upon said test, to be more than two percent incorrect to the prejudice of the Customer, the fee so charged shall be returned to the Customer.

(h) The Company reserves the right to put seals on any water Meter, or on couplings in and for any premises, and may shut off the supply if such seals are found broken or removed.

(i) Once any Meter has been placed, any change in location requested by the Customer will be done by the Company, at the expense of the Customer, if the location is acceptable pursuant to 6.1(k).

(j) Monitoring of Customer usage shall be in compliance with the then-applicable Rules and Regulations. The Company monitors Customer usage on a monthly basis through its collection of usage information. Upon the collection of that information, the Company compares usage for a particular month with a Customer's historical usage. To the extent the current month's usage shows an unusual deviation from historical usage, the Company will notify the Customer and take steps to determine the reason for the unusual deviation.

(k) Meters may be located either in an outdoor Meter box or vault, at the option of the Company. The location of the Meter must be acceptable to the Company and allow for the Meter to be easily examined, tested, repaired, read, removed or replaced. The Meter box or vault shall be located in a convenient and readily accessible location acceptable to the Company. The Meter box or vault must be constructed to protect the Meter from freezing and damage by vehicular traffic, and its location and design shall prevent, as far as possible, the inflow of surface water. After a Meter is installed by the Company, a Customer shall not tamper with, alter, repair or remove the Meter or allow anyone other than the Company to do so. Any plumbing, piping, grading or structural modification which could result in the relocation of the Meter or impact accessibility must first be approved by the Company.

6.2 Accuracy Requirements of Water Meters

(a) General. All meters used for measuring the quantity of water delivered to a customer shall be in good mechanical condition and shall be adequate in size and design for the type of service which they measure.

(b) Determination of Accuracy. No new, rebuilt or repaired meter shall be placed in service if it registers outside the parameters established in the then-applicable Rules and Regulations.

(c) As Found Tests. All meters tested in accordance with the rules for periodic, request or complaint tests, shall be tested in the condition as found in the Customer's service prior to any alteration or adjustment in order to determine the average meter error.

7. PROTECTION OF PUBLIC WATER SYSTEM

7.1 Intercepting and Storage Tanks

(a) Customer Service Lines shall not be connected to the suction side of pumps, unless approved by the Company. Customers who require a large quantity of water within a short period of time must have intercepting or intermediate storage tanks, pump discharge control valves, or other controls approved by the Company.

(b) The inlet connection for the tanks attached directly or indirectly to the Customer Service Line shall discharge at a point no less than two (2) times the diameter of the inlet pipe above the overflow of such tanks and must be approved by the Company.

7.2 Check Valves, Flush Valves and Vacuum Breakers

(a) Customers having boilers or hot water heating systems connected with mains of the Company must have a check valve in the supply pipe to the boilers and hot water heating systems, together with a relief valve at some point between the check valve and heating system. A vacuum valve should be installed, in accordance to applicable plumbing requirements, in the steam line to prevent collapse in case the water supply is interrupted. The Company, however, will not be responsible for accidents or damages resulting from the imperfect action or failure of said valves.

(b) Flush valve or direct flushing closets should not be installed in Premises where the service pipe supplying such Premises is connected to a main two inches or less in diameter. All flush valves shall be equipped with approved type vacuum breakers.

7.3 Plumbing Work Must Be Approved by Company

All plumbing work done in connection with pipe and fixtures connected with the Company's mains shall be submitted for the approval of the Company before such work is covered up. Whenever the Company determines that plumbing work is defective, the Company may require it be corrected before the water will be turned on.

7.4 Cross-Connections

(a) No cross-connection will be permitted unless an acceptable form of protection against contamination by backflow into the water distribution system is provided by a testable backflow prevention assembly. Acceptable forms of protection must comply with all applicable state and local requirements and approved by the Company. The required protective device or system shall be provided, installed and maintained by the Customer in good working condition, at the Customer's expense, and shall be subject to testing and approval of the Company before being

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placed in service, and at such times thereafter as may be deemed necessary by the Company.

(b) Any cross-connection existing which is in violation of these Rules shall be immediately removed or corrected. Failure of the Customer to do so may result in immediate termination of water service in accordance with Rule 4.

8. RIGHTS AND RESPONSIBILITIES

8.1 Customers Requiring Uninterrupted Supply

(a) The Company will endeavor to give reasonable service but does not guarantee a sufficient or consistent pressure or an absolutely uninterrupted supply of water, and Customers are cautioned to provide sufficient storage of water where an absolutely uninterrupted supply must be assured, such as for steam boilers, domestic hot water systems, gas engines, etc.

(b) Fixtures or devices taking a supply of water directly from the service pipes, depending upon the hydraulic pressure of the pipe system of the Company for supplying same under working pressure, will do so at the risk of the parties making such attachments, as the Company will not be responsible for any accidents or damages to which such fixtures or devices are subject.

8.2 Interruptions in Water Supply

(a) The Company reserves the right at any time to shut off the water in the Mains without notice in case of accident or emergency, or for the purpose of making connections, extensions, improvements, alterations, repairs, changes, or for other proper business reasons, and may restrict the use of water to reserve a sufficient supply in its reservoirs for fire protection or other emergencies whenever the public welfare may so require in accordance with Commission Rules. Notwithstanding any other provision in these Rules or any contract or agreement between the Company and any Customer, when, in the judgment of the Company, sufficient supplies of water are not available to the Company, for any reason, to meet all existing and reasonably anticipated demands for service or to preserve and replenish its storage in amounts sufficient to provide fire protection on its system, the Company shall have the right to restrict, limit, curtail or interrupt water service to or water usage by any Customer or Customers.

(b) The temporary shutting off of water from any Premises for any cause, whether non-payment of bills, leaking pipes, fixtures, etc. shall not cancel a contract for water supply service except at the option of the Company or upon notice from the Customer.

8.3 Liability of Company

(a) The Company shall not in any way or under any circumstances be held liable or responsible to any person or persons for any loss or damage from any excess or deficiency in the pressure, volume, or supply of water, due to any cause whatsoever. The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the service, but it cannot and does not guarantee that such will not occur.

(b) The Company will make every effort to maintain a pressure on the distribution system that is required for reasonable service and is compliant with federal and state requirements, but it does not guarantee to furnish at all times any given quantity for fire uses or for general purposes.

(c) The Company shall not be responsible for accidents or damages to boilers, hot water tanks, etc., resulting from the discontinuance of service, nor by reason of the breaking of any main, water pipe, fixture or appliance whether owned by the company or Customer, and no person shall be entitled to damages nor have any portion of a payment refunded for any interruption of service. The Company will exercise every care in this matter, and in the event of the necessity of turning off water, every reasonable effort will be made to notify the Customer.

(d) The Company shall not be considered in any manner an insurer of property or persons, or to have undertaken to extinguish fire or to protect any persons or property against loss or damage by fire, or otherwise. The Company agrees to furnish such supply of water as shall then be available and not other or greater, and it shall be free and exempt from any and all claims for damages on account of any injury to property or persons by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever.

8.4 Meters

No person shall turn the water on or off at any street valve, Company stop, curb stop or other street connection, or at meter setting or meter vault, or disconnect, remove or bypass any meter without the consent of the Company. The Company has the right to prosecute for any damage resulting from any unauthorized tampering with Company property.

8.4 Electrical Ground

No electric wires shall be grounded on the mains of the Company or on any Company Service Lines or pipes or fixtures of any kind which have a metallic connection with the mains of the Company. The Company has the right to prosecute for any damage resulting violation of this Rule.

8.5 Limitations on Resale of Water

Water furnished to any customer, except for a customer classified as a “Sales for Resale” customer, is for

the customer's use only and such water shall not be resold by the customer to any other person, firm, or corporation on the customer's premises or for use on any other premise. This restriction, however, does not preclude a customer from allocating the Company's billing to the customer to any other person, firm, or corporation provided the sum of such allocations does not exceed the Company's billing.

9. CUSTOMER AND COMPANY SERVICE LINES

9.1 Company Service Lines

(a) Subject to Rule 10 on Main extensions and subject to the terms of any applicable Main extension agreement, the Company will install a Company Service Line provided that it is required for the immediate and continuous supply of water in order to furnish general water service, and that the Premise to be served abuts a street, highway or right-of-way in which a Main is located.

(b) The Customer shall install the Customer Service Line to a point approved by an authorized employee of the Company, after which the Company will have the Company Service Line installed from the Main to the Customer Service Line upon payment by the Customer of the tap fee. Where the Company Service Line is already installed, the Customer Service Line shall be connected to the Company Service Line at a point approved by an authorized employee of the Company.

(c) The Company Service Line shall be sized, furnished, installed, owned and maintained only by the Company and shall remain under its sole control. Only the Company may make connections to its Mains. Nothing may be attached to the Company Service Line except a Customer Service Line. The connection to the Company Service Line must be made by an authorized employee or agent of the Company, or a licensed plumber.

9.2 Customer Service Lines

(a) The Company will specify the location of the connection to the Customer Service Line. The Customer Service Line shall be installed, maintained, and/or owned by the Customer, at the Customer's expense and risk. The Customer Service Lines shall be installed in accordance with applicable plumbing requirements.

(b) Each Premise shall be served by no more than one Customer Service Line unless otherwise approved by the Company. Customer Service Lines supplying the Premises shall not pass through or across any other Premises. No water pipes or plumbing in any Premises shall be extended from there to any other Premises.

When a Customer Service Line is relocated at the Customer's request, or when no associated relocation of the Company's Service Lines or other infrastructure is occurring, the Customer shall be responsible for the cost of such relocation. In instances where a Customer Service Line is required to be relocated due to roadway construction or other causes not within Company control, and the Company's Service Lines or other infrastructure is also being relocated, the Customer shall not be responsible for the cost of such relocation unless the Customer requests a specific location different than that specified by the Company.

A Customer's Service Line which is irregularly located because there was no Main abutting the Premises at the time such Customer Service Line was installed shall, at the Customer's expense, be relocated and connected to a new Company Service Line on the Main abutting the Premises when it becomes necessary for such Customer Service Line to be repaired or replaced.

(c) A Customer, occupant, owner, or any agent thereof is not authorized to attach the Customer Service Line to Company property or shut the water line on or off. If a Customer, occupant, owner, or any agent thereof does so, and in making an attachment or in shutting off or turning on water does not properly replace the curb box cap or Meter lid, or damages the curb stop, curb box, copper setter, or other property of the Company, repairs shall be made only by the Company, but at the Customer's expense. If a Customer, occupant, owner, or any agent thereof takes any unauthorized action described therein, the Company shall not be liable for any personal and property damage caused to Customer's property.

(d) The Customer Service Line and all connections and fixtures attached thereto shall be subject to the approval of the Company before water will be turned on. All Premises receiving a supply of water and all Company Service Lines and Meters and appurtenances, including any and all fixtures within the Premises, shall at all reasonable hours be subject to inspection by any duly authorized employee or agent of the Company.

(e) Only an authorized agent of the Company may turn water on and off in the meter box. In case of emergencies, licensed plumbers may turn water on and off if a shut off valve is not available in the Premise and must notify Company within 24 hours of doing so.

10. WATER MAIN EXTENSIONS

10.1 General Main Extensions Rules

(a) In estimating the cost of an extension, the estimate shall be based on the diameter of the pipe to be used, provided, however, the estimated cost to the Customer or Customers shall not be based on a pipe diameter in excess of eight (8) inches, unless actual consumption estimated for the proposed

Customer or Customers requires a larger pipe.

(b) No interest will be paid by the Company on the Applicant's payment or on any balances not refunded. At the expiration of said ten-year period, the refund account will be closed, and no further refunds will be made.

(c) Extensions made under this Rule shall be and remain the property of the Company.

(d) The Company reserves the right to further extend its water mains from and beyond the end of each Water Main Extension made under this Rule. The Applicant or the Applicant's agent paying for an extension shall not be entitled to any refund for the connecting of Customers to any further extension of mains installed.

(e) In determining the length of main extensions to be installed, the main shall be extended to fully cover the frontage of the property, and if the last lot to be served is a corner lot or a lot immediately adjacent to a corner lot, the terminal point of the extension made hereunder shall be located so that the main laid hereunder ties in with the existing main located in the intersecting street; and further provided that if there is no main located in the intersecting street, the terminal point of the extension made hereunder shall be located at the nearest street line of the intersecting street or to the edge of subdivision property, including common area.

10.2 Main Extensions for Other than in New Subdivisions

(a) For Free Extensions, the Company will, upon written request for Residential service by a prospective Residential Customer or a group of prospective Customers located in the same

neighborhood, make free of charge an extension necessary to give service, when the estimated total revenue, for a period of three (3) years from the prospective Customer or Customers is approximately equal to the cost of the extension; provided that the prospects are that the patronage or demand will be of such permanency as to warrant the capital expenditure involved.

(b) For Extension Above Limit, if the extension required in order to furnish general water service at any point within the corporate limits of the municipality or for any adjacent suburb of the municipality is greater than the cost of the free extension specified herein, such an extension will be made under the following conditions: the Company shall require a deposit of the cost of the extension above the free limit and will, in such case, for each additional Customer directly connected to the extension between its original beginning and original end within a period of ten (10) years from the making of such extension, refund an amount equal to three times the estimated annual revenue of the new Customer, but at no time shall the aggregate refund made to any Customer exceed the original deposit of such Customer.

(c) The free extension or refund amount shall not be reduced below that applicable to fifty (50) feet of main per Customer. A prospective Customer is one who will connect to such main extension within the refund period after the date the water is turned on in the main; provided further, that there is delivered to the Company a written guarantee by a financially responsible person or firm that such prospective Customer will take water service within the aforementioned refund period.

10.3 Main Extensions for New Subdivision

(a) Definitions

i. The term "new subdivision" as used herein shall mean any new subdivision of residential and/or commercial lots for which a preliminary or final plat has been approved by the local planning and zoning authority, and in which the owner thereof has the right, under the rules of said Authority, to construct streets, sidewalks, curbs and other improvements.

ii. The term "lot" as used herein shall mean any plot of ground laid out for building purposes, the front footage of which does not exceed one hundred feet. Should the frontage of any plot exceed one hundred feet, it shall, for the purposes of this Rule be considered as a single lot, if the average footage of all lots in the subdivision does not exceed one hundred feet. If the average frontage of all lots in the subdivision does exceed one hundred feet, the total number of lots in the subdivision shall be determined by dividing the total frontage of all the lots in the subdivision by one hundred feet.

iii. The term "on site facilities" as used herein shall include only those water mains and related facilities, if any, to be installed by Company and located within the boundaries of the new subdivision or part thereof as said boundaries are depicted on the preliminary (or final, if applicable) plat of such subdivision or part thereof approved by the local planning and zoning authority.

iv. The term "off-site facilities" as used herein shall include all water mains and related facilities, if any, to be installed by Company and located outside of the boundaries of said new subdivision as said boundaries are depicted on the preliminary (or final, if applicable) plat of said subdivision as approved by the local planning and zoning authority, in order to deliver an adequate supply of water from existing mains of Company to such new subdivision.

v. The term "current estimated cost" as used herein shall mean that sum determined by Company as the estimated cost of installing one foot of water main, together with that sum determined by Company as the estimated cost of installing each type of appurtenant related facility. During the first quarter of each year, Company will determine from its records its actual average cost per foot, during the preceding calendar year, of construction and installation of all sizes and grades of water mains for which the construction projects have been completed during such calendar year, together with its average cost during such calendar year of installing each type and size of related facility for which construction has been completed during such year. Such average cost per foot and such average cost per appurtenant facility shall be deemed to be the "current estimated cost" for such mains and facilities during the twelve month period immediately following such determinations, it being contemplated that the current estimated cost will be revised annually in order to keep same as current as practicable.

(b) Before water lines will be laid hereunder in any new subdivision, it is understood and agreed that the road surface shall be brought to the established sub-grade; and the developer or builder of such new subdivision shall furnish the Company with a right-of-way agreement suitable in form to the Company, unless the streets of the new subdivision have been dedicated to the public use.

(c) When an extension of Company's water distribution system into any new subdivision or part thereof as defined herein is requested by the owner of such subdivision, such extension will be made under the terms of a "New Subdivision Extension Deposit Agreement for Off Site Facilities" as hereinafter set forth in the Appendix, and/or a "New Subdivision Extension Deposit

Agreement for On Site Facilities" as hereinafter set forth in the Appendix, which Agreements shall be entered into upon the following basis:

i. Company shall have the exclusive right to determine the type, location and size of mains to be installed and of the related facilities required to render adequate service.

ii. The owner of the new subdivision may elect to develop it in sections or units and to have main extensions made into such sections or units from time to time as the same are ready for development and may elect further to have the entire subdivision considered as a whole for the purpose of making deposits and receiving refunds for off-site facilities under Company Rule No. 10. In such event, owners shall furnish Company with preliminary or final plats of the unit or units thereof to be initially developed, such plats to be

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KENTUCKY
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Gwen R. Pinson
Executive Director
Gwen R. Pinson
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approved as hereinafter provided, such plats to be so furnished prior to the making of any extensions into said new Subdivision. As subsequent units of said subdivision are thereafter developed, preliminary or final plats so approved thereof shall be furnished to Company as hereinafter provided. Upon delivery to Company by the owner of such subdivision of four (4) copies of a preliminary or final plat of the subdivision or units thereof, duly approved by the Local planning and zoning authority, which plats shall depict the location and grade of all streets, sidewalks, building plots, building lines and utility easements contained therein, together with evidence of the owner's authority to construct streets, sidewalks, curbs and other improvements therein, Company shall prepare appropriate plans and specifications for the installation of necessary mains and related facilities to render adequate service therein, including where applicable, such off site facilities as deemed necessary and upon delivery to Company by the owner of such subdivision, any other information requested by the Company.

iii. Separate Extension Deposit Agreements, in the form provided in the Appendix, shall be entered into by the owner of the subdivision and Company for off-site facilities and for each separate unit in which on site facilities are requested, provided, moreover, that the ten (10) year refund period applicable in such agreements shall apply separately to each such transaction.

iv. When plans and specifications for installation of such mains and related facilities are completed, Company shall determine the presumed cost of

construction and installation of such mains and related facilities which presumed cost shall be the aggregate of (1) the total number of feet of each size and grade of main required in such construction multiplied, respectively by Company's current estimated cost for each such size and grade of main, and (2) the total cost of installation of all related facilities required in such construction as determined by Company's current estimated cost for each of such facilities. In absence of actual cost data upon which to prepare a current estimated cost for any particular required related facility or size and grade of main, the presumed cost thereto shall be the best estimate of Company with respect to the cost of such mains or related facilities based on available information with respect to same. In making such determinations of presumed cost of construction, Company shall separately compute the cost of installation and construction of on-site mains and facilities required and the cost of off-site mains and facilities required.

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v. When such determination of presumed cost of on-site mains and facilities and presumed cost of off-site mains and facilities required has been completed, the sums to be deposited by the owner of such subdivision with Company under the terms of the "New Subdivision Extension Deposit Agreement for On Site Facilities" and the "New Subdivision Extension Deposit Agreement for Off Site Facilities" if applicable, shall be determined by Company and shall be (1) the total presumed cost of all on site mains and related facilities of the new subdivision or any part thereof to be constructed as determined as herein provided, and (2) (a) the presumed cost of ten (10) feet of off-site mains and facilities multiplied by the total number of building plots shown on and included within the whole of said new subdivision or (2) (b) the presumed cost of all required off site facilities, whichever be the smaller sum. The presumed cost per foot of off-site mains and facilities as used in this computation shall be determined by dividing the total presumed cost of all off site mains and related facilities by the total footage of such off site mains. In the event it is necessary to construct off site mains for a distance in feet greater than ten (10) times the number of building plots included within the whole of said subdivision as depicted on the initial submitted plat thereof, such excess off site extension will not be made under the "New Subdivision Extension Deposit Agreement for Off Site Facilities", but shall be made under an Extension Deposit Agreement as provided in the Appendix of these Rules.

vi. For each Premises served for which a street service connection shall be directly attached to such main extension between its original beginning or

original terminus, excluding connections to further extensions or branches thereof, and crediting no more than one such service connection per building plot, Company shall refund to the owner of such subdivision under terms and provisions of New Subdivision Extension Deposit Agreements separately executed each for on-site and off-site improvements, amounts determined as follows:

a. For on-site facilities, the quotient obtained by dividing the total presumed cost of all on site mains and related facilities, determined as provided in Section (c) vi above for that part of the new subdivision then to be developed, by the total number of lots, determined as provided in Section (a) ii herein, which will be served by the on-site facilities then to be developed and as shown

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Executive Director
Gwen R. Pinson
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on the preliminary or final plat of the part of the subdivision to be developed.

b. For off-site facilities, the quotient obtained by dividing the deposit for off-site facilities, determined as provided in Section (c) iv above, by the total number of building plots shown on and included within the whole of said subdivision and shown on the preliminary or final plat of the whole subdivision delivered to Company as provided in Section (c) ii above.

vii. The owner of such subdivision, in consideration of an accelerated development of said subdivision to be obtained through Company's proceeding, on the basis of a preliminary plat, with its plans and specifications, and, at Company's option, with construction of its mains and facilities, shall, as a part of the New Subdivision Extension Deposit Agreements for both Off Site and On Site Facilities, warrant to Company that the location and grade of streets, curbs, sidewalks, building plots, building lines and utility easements as depicted on said preliminary plat will not be altered or changed in any respect in the final plat of said subdivision or part thereof, as finally approved by the local planning and zoning authority and recorded in the Office of the County Clerk. In the event the location or grade of streets, sidewalks, curbs, building plots, building lines or utility easements be altered, amended or changed in the final plat or in an amended plat of said subdivision or part thereof as approved by said Authority or as recorded in the office of said Clerk, whether such changes are made with or without the consent of said subdivider, and in the event such alteration,

amendment or change requires, in the sole judgment of Company, the relocation, removal, replacement, reconstruction, change in site or additions to the mains and related facilities, the subdivider shall indemnify and hold harmless Company of and from any and all damages and costs of such removal, replacement, relocation, reconstruction and any all other expenses or costs relating to Company because of the change of location or grade of streets, curbs, sidewalks, lots, building lines or utility easements in said subdivision or part thereof.

(d) Company shall, upon written request of any owner of a new subdivision, with who a contract has been entered into under these Rules, made within thirty (30) days after effective date of these Rules, re-execute such agreements under terms of these Rules.

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11. PUBLIC AND PRIVATE FIRE SERVICE

11.1 Application for Private Fire Service

(a) The extent of the rights of the Customer for private fire service is to receive, but only at times of fire at the Premises served by the private fire service, such supply of water as shall then be available. The Company shall not be considered in any manner an insurer of property or persons, or to have undertaken to extinguish fires, or to protect any persons or property against loss or damage by fire, or otherwise, and it shall be free and exempt from any and all claims for damages on account of any injury to property or persons by reason of fire, water failure to supply water or pressure, or for any other cause whatsoever.

(b) The applicant or its agent shall complete an "Application for Special Connection," which is available at the Company's offices. Service connections for water to be taken for the extinguishment of fire shall be made only upon the terms as provided for in the "Application for Special Connection," and then only after such application has been submitted by the Customer and approved in writing by the Company and the applicable Fire Department.

(c) A gate valve with post indicator controlling the entire supply shall be placed at the curb or property line of the street in which the main is located or at such other point as may be approved by the Company, and said valve and post indicator shall be furnished, installed and maintained by the Company at the expense of the Customer, and unless otherwise approved by the Company, said valve shall be installed which shall be furnished, installed and maintained by and at the expense of the Customer.

(d) The Company will make the connection to its mains at the cost and expense of the Customer, and the service connection from the main to the post indicator valve as described in Section 11.1 (c) will be furnished, installed, owned and maintained by the Company and at the cost and expense of the Customer.

(e) The entire private fire service system on the Customer's premises shall be installed by and at the expense of the Customer and shall be subject to the inspection, test and approval of the Company before the service is made effective, and at such time thereafter as may be deemed necessary by the Company.

(f) A private fire service connection is furnished for the sole purpose of supplying water for the testing of the system and the extinguishment of fires, and the use of water from such a connection for any other purpose is absolutely forbidden.

(g) Private fire protection service may at any time be furnished at the option of the Company through a line guarded by an approved fire line meter or detector device which shall be furnished and installed by the Company at the expense of the Customer. The meter shall be set in an approved vault or chamber, properly drained and protected, located at a point as near as possible to the curb line, and said vault or chamber shall be constructed and maintained by the Company at the expense of the Customer. The meter

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Executive Director
Gwen R. Pinson
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or detector device will be maintained by the Company, but at the expense of the Customer.

(h) Hydrants and other fixtures connected with a private fire service connection may be sealed by the Company, and such seals shall be broken only in case of fire or as specially permitted by the Company, and the Customer must immediately notify the Company of the breaking of any such seal.

(i) No pipe or fixtures connected with a private fire service connection served by the Company shall be connected with pipes or fixtures supplied with water from any other source. An industry approved backflow prevention device reviewed by the Company must be installed on private fire service connections and such device must be tested annually thereafter.

(j) The entire private fire service connection and all parts of it which are located outside of the property line of the Customer and any meter or other indicating or controlling device and all parts and appurtenances thereof no matter where located shall be accessible and available in a safe manner to the Company at all times.

(k) The Company shall determine the size and location of any connections made to its mains for private fire service.

(l) The Customer shall furnish an accurate sketch or drawing showing the pipes, valves, hydrants, connections and appurtenances on the premises of the Customer and connected with the mains of the Company and also an accurate sketch of any other water pipe system and fixtures that may exist on the premises.

(m) Whenever a fire service system is to be tested under the regulations of the fire insurance underwriters, the Customer shall notify the Company of such proposed test, naming the day and hour when same is to be made, so that, if desired, the Company may have an inspector present during the test.

(n) All applications for private fire protection shall be subject to the written approval of the applicable Fire Department. It is the Customer's responsibility to obtain this approval.

(o) All subsequent owners of the property containing private fire service, assume all responsibilities under the original Application for Special Connection.

11.2 Terms and Conditions for New Private Fire Hydrant Service

(a) Applicants and Customers subject to this tariff are also subject to Rule 11.1(a), (b), and (f), which are incorporated by reference as if set forth herein.

(b) The entire cost for labor, materials and other expenses incurred in installing the private fire hydrant connection, consisting of tapping the main and installing the hydrant branch and hydrant at a convenient

point between the curb and property line, will be paid by the Applicant and any work done by the Company in connection therewith will be at the expense and risk of the Applicant.

(c) Advance payment of three years' private service rate in Service Classification No. 4 for each private fire hydrant by the applicant will be required at the time the contract is signed for private fire hydrant service.

(d) Water used for extinguishing fires will not be charged. Prompt notice of hydrant use is to be given to the Company in order that the installation may be inspected.

(e) Except for hydrants owned by private entities as set forth in their contract with the Company, title to the service connection and hydrant shall, upon completion of construction, become vested in the Company, which thereafter shall assume responsibility for maintenance. Regardless of ownership, all parts and appurtenances shall be accessible and available to the Company at all times.

(f) No private fire hydrant will be installed at a location where the normal flow from the hydrant is less than 500 gallons per minute with a 20 pounds per square inch residual pressure in the main serving the hydrant.

(g) After expiration of the initial three-year advance payment of the private service rate by the applicant, the applicant will continue to be responsible for charges for this service. The applicant may request the Company's consent to transfer responsibility for the private service rate to an entity in good standing in the state in which the entity was organized. Any such request must be approved by the applicant, the entity to which the responsibility is being transferred, and the Company in order to be effective.

(h) Failure to pay the private service rate shall be sufficient cause for discontinuance of water service after reasonable notice by the Company.

(i) The private service rate shall continue in effect until such time as a unit of government shall agree to pay public fire protection charges thereon.

11.3 Public Fire Hydrants

(a) No person, except for the legitimate purpose of extinguishing fires or for other purposes herein provided, shall open any fire hydrant without the consent of the Company.

(b) During freezing weather, the City or County shall notify the Company after it has opened any hydrant.

(c) Any expenses for repairs caused by the negligence of the employees of the municipality or by members of the fire department shall be paid for by the municipality.

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(d) The use of fire hydrants will be restricted to the taking of water for the extinguishing of fires, and water shall not be taken from any fire hydrant for construction purposes, sprinkling streets, flushing trenches, sewers or gutters or for any other use, unless specifically permitted by the Company for the particular time and occasion.

(e) Inspections and tests of public fire hydrants will be made by the Company at convenient times and reasonable intervals.

(f) Whenever a change in location, size or type of a fire hydrant is ordered, requested, or made necessary due to change in line or grade of any roadway, curb or walk, said change will be made by the Company at the expense of the municipality or other party ordering, requesting, or making necessary such change.

(g) In the event that the City or County shall order in writing the installation of additional fire hydrants on existing mains having an internal diameter of six inches or larger, the Company will install such hydrants at its own cost and expense, provided that such mains are of adequate capacity to provide the required fire flows.

(h) Where pipe line installations are required to carry out a written order of the City or County to install fire hydrants, or where existing mains, in the opinion of the Company, are inadequate to provide required fire flows to such hydrants, and the City or County orders in writing the installation of a water main of adequate size to provide such flows to the hydrant or hydrants so ordered, the Company will install such mains and hydrants at its own cost and expense, provided that the estimated cost of the extension does not exceed the estimated total revenue for a period of three (3) years from such hydrant or hydrants and from prospective Customers who will connect to such main within thirty (30) days after the date that water is turned into the main; and provided, further, that there is delivered to the Company a written guarantee by a financially responsible person or firm that such prospective Customers will take water service at their premises within thirty (30) days after the date that water is turned into the main. If the estimated cost of the proposed extension and hydrants required in order to furnish fire service exceeds three (3) times the Company's estimate of immediate annual revenue, such extensions will be made under the following conditions: the Company may require a deposit in the amount by which the cost of the extension, including the cost of hydrants which might be connected thereto, exceeds three (3) times the annual revenue estimated to be received from the hydrant and prospective Customers and will, in such case, for each additional Customer directly connected to the extension between its original beginning and original end with a period of ten (10) years from the making of such extension, refund an amount equal to three (3) times the estimated a revenue of the new Customer, but at no time shall the aggregate refund made exceed the original deposit.

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

Approved:

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 8**
First Sheet No. 29

12. SERVICE CLASSIFICATIONS AND TARIFFS/RATES/FEES

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

Applicable
Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service
Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered service.

Meter Rates
The following shall be the rates for consumption, in addition to the service charges provided for herein;

Customer Category	Rate Per 1,000 Gallons All consumption	Rate Per 100 Gallons All Consumption
Residential	$5.0590	$0.5059
Commercial	4.4120	0.4412
Industrial	3.8340	0.3834
Municipal & Other Public Authority	4.0530	0.4053
Sales for Resale	3.8370	0.3837

Service Charges
All metered general water service customers shall pay a service charge based on the size of meter installed. The service charge will not entitle the customer to any water.

Size of Meter	Residential Service Charge Per Month	All Other Classes Service Charge Per Month
5/8”	$12.49	$ 13.63
3 /4”	18.74	20.46
1”	31.23	34.07
1-1 /2”	62.45	68.17
2”	99.92	109.04
3”	187.35	204.47
4”	312.25	340.77
6”	624.50	681.50
8”	999.20	1,090.40

ISSUED: **August 10, 2018**
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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

The reduced rates are issued by authority of the Public Service Commission in Case No. 2018-00042 dated August 30, 2018.
The removal of the rate per 100 cubic feet was issued by authority of the Public Service Commission in Case No. 2015-00418 dated August 23, 2016.

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 30

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

Applicable

Applicable to Kentucky-American Water Company customers in Eastern Rockcastle County.

Availability of Service

Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered service.

Meter Rates and Service Charges

The following shall be the rates for consumption. The Minimum Bill, and 1,000 gallons of consumption beyond the minimum bill shall be:

Meter Size	Minimum Bill	Volume included in Minimum Bill	Rate per 1,000 gallons over Minimum Bill
5/8”	$28.28	2,000	$11.53
3 / 4”	$28.28	2,000	11.53
1”	$62.87	5,000	11.53
2”	$178.17	15,000	11.53

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KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 8**
First Sheet No. 31

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 3

Applicable
Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service
Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates

Size of Service	Rate Per Month	Rate Per Annum
2" Diameter	$ 8.11	$ 97.32
4" Diameter	32.67	392.04
6" Diameter	73.49	881.88
8" Diameter	130.64	1,567.68
10" Diameter	204.18	2,450.16
12" Diameter	294.43	3,533.16
14" Diameter	423.96	5,087.52
16" Diameter	522.81	6,273.72

Special Provisions
No charge shall be made for water used in extinguishing accidental fires or for Underwriters' tests, and water shall not be drawn from a private fire service connection for any other purpose.

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed in Service Classification No. 1 shall also be charged.

The charges under this provision are in addition to any general water service charges.

ISSUED: **August 10, 2018**
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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Issued by authority of the Public Service Commission in Case No. 2018-00042 dated August 30, 2018.

Approved: KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 32

TAPPING FEES

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for residential, commercial, industrial, other public authority and sales for resale customers.

Tapping (Connection) Fees

Size of Meter Connected

5/8-Inch	$1,280.00
1-Inch	2,201.00
2-Inch	4,238.00
Service larger than 2”	Actual Cost

For services greater than 2”, a cost-adjustable deposit is required upon application. The tapping fee will be required upon application for all services installed on or after the effective date of this tariff, except in cases where a complete application for service (including plumbing inspection) is on file with the Company prior to the effective date of this tariff.

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Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 8**
First Sheet No. 33

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 4

Applicable
Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service
Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates for Public Fire Service

	Rate Per Month	Rate Per Annum
For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions.	$39.90	$478.80

Rates for Private Service

For each private fire hydrant contracted for by Industries or Private Institutions.	$70.90	$850.80

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition, to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed In Service Classification No. 1 shall also be charged.
The charges under this provision are in addition to any general water service charges.

Special Provisions
A few hydrants are connected to mains by a "special connection." A "special connection" exists when a customer and the Company entered into a service contract in which the customer agreed to maintain an unmetered water line from a Company main to the customer's service line. If the Company has reason to believe water from a special connection is being used for purposes other than fire protection, including that the connection or line is leaking, the Company may install a meter and charge for usage under this tariff. The Company may require the customer to pay for the meter and its installation if:

(1) the Company gives the customer written notice of the usage problem, requests that the customer correct the problem, and informs the customer that failure to correct the problem within 90 days could result in liability of the customer for the cost of installing a meter to monitor usage,

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Issued by authority of the Public Service Commission in Case No. 2018-00042 dated August 30, 2018.

Approved: KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
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PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 34

(2) the customer does not substantially correct the problem within 90 days of the written notice, and,
(3) the Company thereafter gives three business days' notice, which shall include a cost estimate, that it will install the meter at the customer's expense.

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Approved:

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 35

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 5

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Water Used for Construction, Street Washing, Pool Filling, and Similar Purposes.

Rates

Where a meter is installed on a fire hydrant or on a temporary service connection for construction, street washing, pool filling, and similar purposes, the minimum payment for water shall be the monthly service charge for general water service, payable in advance based upon the size of the meter installed. If more than one fire hydrant or temporary service connection is used, the service charge is to apply to each such hydrant or temporary service connection so used.

The Company may require an application to be signed and either the service charge paid in advance or, at the option of the Company, a meter deposit made, and the account handled in the same manner as any other metered account. This service charge will not entitle the Customer to any water and all water used shall be billed at the meter rate schedule. In addition to such charges the Customer shall pay all reasonable costs incurred in connection with the installation and removal of the meter.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
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KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 36

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6
BILLING OF LICENSE, OCCUPATION, FRANCHISE OR OTHER SIMILAR CHARGES OR TAXES INCLUDING SCHOOL TAX

Applicable

Applicable to all customers in the Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Residential, Commercial, Industrial, Other Public Authority and Sales for Resale customers.

Rates

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate part of any license, occupation, franchise, fee or other similar fee, charge or tax now or hereafter imposed upon the Company by local taxing authorities or the Kentucky River Authority, whether imposed by ordinance, franchise, statute or otherwise, and which fee, tax or charge is based upon Kentucky River water usage or a percentage of the gross receipts, net receipts, or revenues from sales of water or services rendered by the Company to the customer. Where more than one such charge, fee or tax is imposed, the total of such charges, fees or taxes applicable to a Customer may be billed to the customer as a single amount. Charges, fees or taxes herein referred to shall in all instances be billed to customers on the basis of Company rates or usage effective at the time of billing, and on the basis of the tax rate of usage effective at the time billing is made.

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate amount of school tax in any county requiring a utility gross receipts license tax for schools under KRS 160.613.

There shall also be added to the Customer's bill, as a separate item, any fee, tax or charge imposed upon the customer by a municipality or governmental agency, the purpose of which is to allocate among those customers identified by ordinance, franchise, statute, or otherwise, the cost of fire hydrants imposed upon the municipality or governmental agency. Failure to pay this charge shall not constitute grounds for termination of service.

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KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 37

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Residential, Commercial, Industrial, Other Public Authority and Sales for Resale customers.

Rates

Kentucky-American Water Company in accordance with the tariff shown in First Sheet No. 32 shall charge a rate of $0.0177 per 100 gallons.

Except for rate changes imposed by the Kentucky River Authority, which will be put in effect immediately upon notification of such change by the Kentucky River Authority, this fee will be adjusted annually beginning January, 2002 to reflect any over or under collection of Kentucky River Authority fees existing at the time of the adjustment

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KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 38

RECONNECTION CHARGE

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for all customers

When it is necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a charge of
Fifty-six Dollars ($56.00) will be made to cover the expense of turning on the water service.

ISSUED: **August 10, 2018**
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Approved:

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 39

INSUFFICIENT FUNDS CHARGE

In those instances where a customer renders payment to the Company by check or electronic funds transfer which is not honored upon deposit by the Company, the customer will be charged ($12.00) to cover the processing costs.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
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KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 40

INSPECTION OF SERVICE LINE

Applicable:
Applicable to the entire service territory of Kentucky-American Water Company where neither the Kentucky Department of Housing, Building and Construction or local government conducts an inspection of service lines comparable to that required of water utilities by 807 KAR 5:066 Section 9(3).

Availability of Service:
Inspection of service lines is available to all customers of Kentucky-American Water Company where neither the Kentucky Department of Housing, Building and Construction or local government conducts an inspection of service lines comparable to that required of water utilities by 807 KAR 5:066 Section 9(3). The customer shall leave the trench open and the service line uncovered. The service line must be determined to be free from any tee, branch connection, irregularity or defect before service will be initiated.

Rate:
The customer shall be charged $25.00 for each inspection of a service line.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
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KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 41

NEW ACCOUNT SET UP
ACTIVATION FEE

Applicable
Applicable to all customers who request a new account or a change in ownership of an existing account.

Availability of Service
Available for all customers.

Rate
An activation fee of Twenty-eight ($28.00) Dollars shall be charged to set up a new account or change an existing account. The activation fee covers the cost of meter reading and record change.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
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KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 42

LATE PAYMENT FEE

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for all customers.

Rates

Kentucky American Water Company shall charge a 5% late fee on all charges that are paid after the due date on the bill. The late payment fee is 5% calculated upon all amounts owed with the exception of any amounts Kentucky-American Water Company collects pursuant to a third-party billing services contract, or on previously assessed late payment fees or other penalty charges. The late payment charge will only be assessed once on any bill for rendered services. Customers who receive a pledge for or notice of low income water assistance from an authorized agency will not be assessed or required to pay a late payment charge for the bill for which the pledge or notice is received.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
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KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 43

BULK SALES OF WATER THROUGH LOADING STATIONS

Availability of Service

This service is available at locations deemed appropriate by Kentucky-American Water Company.

Rate

The following rates and charges are prescribed for the customers in the area served by Kentucky-American Water Company.

Bulk Sales Rate	$.1674 per 50 gallons

Terms and Conditions of Service

Service taken under this tariff must be prepaid by the customer.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Issued by authority of the Public Service Commission in Case No. 2018-00042 dated August 30, 2018.

Approved: KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 44

SERVICE CLASSIFICATION NO. 6
HIDDEN LEAK ADJUSTMENT RATE

Applicable
Applicable to entire Service Territory of Kentucky-American Water Company.

Availability of Service
Available for Residential and Commercial customers.

Rates
A charge of twenty-five (25) percent of the applicable tariff will be applied to all water usage determined to be the result of a hidden underground leak.

Terms and Conditions
A hidden underground leak is defined as a leak in the customer service line between the meter and the premises. Hidden underground leak adjustments will be granted to residential and commercial customers. The customer must provide a plumber's statement or list of materials showing that the leak has been repaired. After verification of repairs by the Water Company, the bill will be adjusted by comparing the usage during the leak billing period to the average usage for the past six billing periods. A reasonable estimate will be used in cases when six prior periods of information do not exist. The excess usage will be billed at the rate specified above. During the lifetime of a water service line only two leak adjustments will be permitted. Each adjustment may cover a maximum of two billing periods. Before a third adjustment can be considered, the entire water service line from the meter box to the premises must be replaced. Plastic pipe for repair of underground water service lines must be certified to withstand a working pressure of 160 pounds per square inch or greater.

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Approved:

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 45

(T)
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KENTUCKY AMERICAN WATER

WE KEEP LIFE FLOWING™

Service Address:
JOHN Q CUSTOMER
1234 ANYWHERE ST UNIT 1234
CITY, ST ZIP CODE

THANK YOU FOR BEING OUR CUSTOMER.

Important Account Messages

- Looking for an easy way to manage your account and service needs? Try our redesigned customer portal at www.amwater.com/MyAccount. Find out how much you owe, start or stop service and pay your bill electronically without a convenience fee. And you can access anytime ... 24x7, all day, every day!

For more information, visit www.kentuckyamwater.com

Page 1 of 3
652502505804

Monthly Statement

Account No. **1012-210001234567**

Total Amount Due:	**$37.80**
Payment Due By:	**May 29, 2018**

Billing Date:	May 11, 2018
Service Period:	Apr 11 to May 10
Total Gallons:	3,740

Account Summary – *See page 3 for Account Detail*

Prior Billing:		$42.67
Payments - Thank You!	-	$42.67
Balance Forward:	=	**$0.00**
Service Related Charges:	+	$35.66
Taxes:	+	$2.14
Total Amount Due:	=	**$37.80**

View your account information or pay your bill anytime at: amwater.com/MyAccount

Pay by Phone*: Pay anytime at 1-855-748-6066
**A convenience fee may apply*

Customer Service: 1-800-678-6301
M-F 7:00am to 7:00pm – Emergencies 24/7

▾ Please return bottom portion with your payment. DO NOT send cash. Retain upper portion for your records. ▾

TRA1-S-008001/000002 PC0180 ETM1C001 1 34 6 A

KENTUCKY AMERICAN WATER
WE KEEP LIFE FLOWING™

PO Box 790247
St Louis, MO 63179-0247

Account No. **1012-210001234567**

Total Amount Due:	**$37.80**
Payment Due By:	**May 29, 2018**
If paying after 5/29/18, pay this amount:	$39.69

Service to: 1234 ANYWHERE ST
CITY, ST ZIP CODE

Amount Enclosed $

8001 1 AB 0.301 00001/008001/000002 0047 2 PC0180
JOHN Q CUSTOMER
1234 ANYWHERE ST
UNIT 1234
CITY ST 00000-0000

KENTUCKY AMERICAN WATER
PO BOX 790247
ST LOUIS, MO 63179-0247

00010122100012345670000000000003780013

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KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 46

(T) ↓

Messages from Kentucky American Water

- ***IMPORTANT WATER QUALITY MESSAGE: 2017 Kentucky American Water annual water quality report is available. This report contains important information about your drinking water. Please go to www.amwater.com/ccr/lexington.pdf, www.amwater.com/ccr/owenton.pdf or www.amwater.com/ccr/fordhampton.pdf to view your 2017 annual water quality report or to request a paper copy call 800-678-6301.
- If you would like a copy of our tariff please visit www.kentuckyamwater.com, call 1-800-678-6301, or visit our customer lobby at 2300 Richmond Road in Lexington anytime between 8 a.m. and 4:30 p.m., Monday through Friday.
- Local Office: 2300 Richmond Road (Lexington).

CUSTOMER SERVICE
1-800-678-6301
HOURS: M-F, 7am-7pm • Emergencies: 24/7
TTY/TDD FOR THE HEARING IMPAIRED:
711 (and then reference Customer Service number listed above)

SERVICES

Go Paperless: Save time. Save money. Sign up for **Paperless Billing** and **Auto Pay** on My Account at amwater.com/myaccount. Not registered? Log in and be sure to have your account number handy.

Water Quality: We take water quality seriously. When it comes to complying with federal drinking water standards, we consistently score better than the industry average. For a copy of the annual water quality report for your area, visit kentuckyamwater.com. Under Water Quality, select Water Quality Reports.

H2O Help To Others: This program helps low-income customers who qualify with their water bills. For more information, visit kentuckyamwater.com. Under Customer Service & Billing, select Low Income Program.

EXPLANATION OF OTHER TERMS

Payment by Check: Paying by check authorizes American Water to send the information from your check electronically to your bank for payment. The transaction will appear on your bank statement. The physical check will not be presented to your financial institution or returned to you.

Estimated Bill: This occurs when we are unable to read the water meter. Your usage from the same billing period the prior year is used to calculate the estimated bill. The next actual meter reading corrects any over or under estimates.

Disputes: If you have questions or complaints about your bill, please call us at 1-800-678-6301 before the due date. If your bill is unusually high, it may indicate that there is a leak in your plumbing. For tips on how to detect leaks and use water wisely, visit us online. You'll find helpful tools under the Water Information menu. Every drop counts!

Rates: A detailed listing of charges that make up your bill is available upon request by contacting Customer Service or visiting us online at kentuckyamwater.com. Under Customer Service & Billing, select Your Water Rates.

Correspondence: Please send written correspondence to PO Box 578, Alton, IL 62002-0578. Be sure to include your name, account number, service address, mailing address and phone number including area code. Please do not send correspondence with your payment, as it may delay processing your payment and correspondence.

H2O HELP TO OTHERS PROGRAM – lend a hand to customers in need

☐ I'm adding a one time contribution of $_____ with my payment.
☐ I'd like to add a recurring contribution to each bill of $_____. I understand this amount will be added to each bill.

Address Change(s)

Name

Address

City

State Zip Code

( ) ☐ Mobile Number
Phone Number

E-mail Address

Other ways to pay your bill

Auto Pay
Save time and money. Enroll in Auto Pay, and your bill will be paid on time, every time, directly from your bank account on the due date. No stamps required!

Online
With My Account, you can pay your bill anytime, anywhere. Registration is fast and easy. Visit amwater.com/MyAccount or pay without registration at www.amwater.com/billpay (fee may apply).

In Person
We have agreements with several authorized payment locations in our service area. Visit our website to find one near you.

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. 47

(T) ↓

KENTUCKY AMERICAN WATER
WE KEEP LIFE FLOWING™

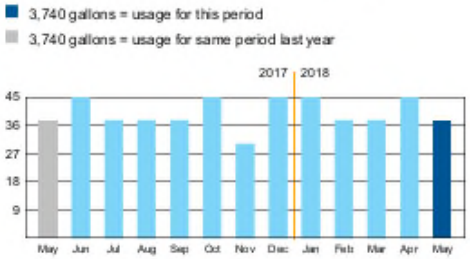
Meter Reading and Usage Summary

Meter No.	Meter Type	Size	From Date	To Date	Previous Read	Current Read	Meter Units*	Billing Units**	Water Used in Gallons
07974507 9N	Regular	5/8"	04/11/2018	05/10/2018	963 (A)	968 (A)	5	37.40	3,740

A = Actual E = Estimate

*1 Meter unit = 100 cubic feet or 748 gallons of water **1 Billing Unit = 100 gallons of water

Billed Usage History (graph shown in 100 gallons)



Next Scheduled Read Date: on or about Jun 12, 2018
Account Type: Residential

Average daily use for this period is: **125 gallons**

Account Detail

Service To: 1234 ANYWHERE ST, CITY ST ZIP CODE

Prior Billing	**42.67**
Balance from last bill	42.67
Payments	**-42.67**
Payments as of Apr 24. Thank you!	-42.67
Balance Forward	**0.00**
Service Related Charges - 04/11/18 to 05/10/18	
Water Service	**35.00**
Water Service Charge	12.49
Water Usage Charge (37.40 x $0.6019)	22.51
Other Charges	**0.66**
KRA Withdrawal Fee (37.40 x $0.0177)	0.66
Total Service Related Charges	**35.66**
Taxes	**2.14**
Franchise Taxes ($35.66 x 3.000%)	1.07
School District Tax ($35.66 x 3.000%)	1.07
Total Current Period Charges	**37.80**
Total Amount Due	**$37.80**

Understanding Your Bill

The information below defines some of the new terms you may find on your bill:

- **Service Related Charges:** This section includes charges for services related to water, wastewater and fire protection.
- **Fees and Adjustments:** This section provides details related to additional charges or adjustments for the service period referenced. Fees, when applicable, would include items such as service activation and late payment charges. Additionally, any credit or debits related to billing corrections would be found in this section.
- **Pass Through Charges:** Charges in this section, when applicable, are separated from other service related charges to provide visibility into what portion of your bill is being remitted to other entities. Payment received for these charges does not remain with American Water. While we may bill and collect for them, the payments received are passed along to other companies and agencies.
- **Billing Units:** One billing unit equals 100 gallons of water used. If the meter serving your property measures your water use in cubic feet or a different unit of measure, we convert the usage to gallons to make it easier to understand.
- **Average Daily Use:** The gallons shown in the water droplet above represent your average daily water use for the current billing period. Tracking the amount of water you use can help you manage your overall water use from month to month.
- **Still have questions?** We are here to help. Our customer service representatives are available M–F, 7 a.m. to 7 p.m. More information on understanding your bill and charges can also be found on our website. See the link below.

For more information about your charges and rates, please visit: https://amwater.com/kyaw/customer-service-billing/your-water-and-wastewater-rates.

TRA1-S-00800100000002 PC0180 ETM1C001 1 34 6 A

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. A-1

APPENDIX

Form of New Subdivision Extension Deposit Agreement for Off Site Facilities:

THIS AGREEMENT, entered into this _day of _____, _____by and between KENTUCKY AMERICAN WATER, a Kentucky corporation, having its office at 2300 Richmond Road, Lexington, Kentucky, hereinafter called "COMPANY", and _____, hereinafter called "SUBDIVIDER",

WITNESSETH:

THAT, WHEREAS, SUBDIVIDER is the present owner of a certain tract of land located within the service area of COMPANY, which tract is now being developed by SUBDIVIDER as a new subdivision or unit thereof (hereinafter called the subdivision), and

WHEREAS, the _____ Commission has heretofore approved a preliminary or final plat of said proposed subdivision, upon which plat the location and grade of streets, curbs, sidewalks, building plots, building lines and utility easements are depicted, a copy of which plat is annexed hereto and made a part hereof, marked Exhibit "B" for identification, and

WHEREAS, SUBDIVIDER desires the extension of the off site water mains and facilities of COMPANY on the site of said subdivision as hereinafter described,

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties hereto as hereinafter set forth, it is hereby agreed by and between the parties hereto as follows, to-wit:

FIRST: COMPANY contracts and agrees to lay the water main(s) and other related facilities, if any, as shown in red on the plat attached hereto and made a part hereof, marked Exhibit "B" for identification, which main(s) and facilities, if any, are described and located as follows:

SECOND: It is expressly understood and agreed that if COMPANY shall be delayed or prevented from installing the water main(s) and other related facilities, if any, hereinabove described because of its failure to secure pipe or other construction materials, or for any other causes beyond its control, such failure or delay in performance shall be excused; provided, however, if such failure or delay in performance shall extend for a period of more than ninety (90) days from date of deposit, SUBDIVIDER shall have the right to cancel and terminate this agreement on thirty (30) days' written notice to COMPANY, and thereafter both parties shall be relieved of all duties

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

and obligations arising hereunder. But this right to cancel and terminate by SUBDIVIDER shall not be invoked if COMPANY has received the construction material and SUBDIVIDER has made the deposit as hereinafter required, in which event COMPANY shall have the obligation to prosecute the work diligently to its completion.

THIRD: SUBDIVIDER hereby agrees to deposit with COMPANY, upon notice from COMPANY that it is prepared and able to go forward with the work provided in Paragraph FIRST hereof, the sum of _____, which sum is the presumed cost of installation of said off site main(s) and related facilities, if any, as determined under Section C(4) of Rule 10.3 of COMPANY'S Rules and Regulations. No adjustment in deposit will be made, either by way of adding to or reducing the deposit required hereunder, because of a variance between the presumed cost mentioned herein and the actual cost of installation of such main(s) and related facilities, if any.

FOURTH: SUBDIVIDER represents to and covenants with COMPANY that the number of residential and/or commercial building plots to be developed within the whole of said subdivision, as shown on the plat attached hereto as Exhibit "B", being a total of _____building plots, will not be decreased in the final plats of said subdivision as the same are hereafter recorded in the office of the Clerk of the Fayette County Court. Upon such representation and covenant, COMPANY hereby agrees to refund to SUBDIVIDER during the period of ten (10) years from the actual date of deposit, an amount equal to _____ of the total deposit made by SUBDIVIDER under the terms of Paragraph THIRD above, being the sum of _____, for each premises served within said subdivision (as said subdivision is depicted on the plat attached hereto and marked Exhibit "B" for identification) for which a street service connection shall be directly attached to the mains constructed on the site of such subdivision between their original beginning and original termini (not including, however, connections to further extensions or branches thereof, and being limited to one such service connection per building plot) and for which a bona fide residential or commercial customer has executed a service contract with COMPANY, provided, however, that the total amount returned shall not exceed the original deposit, without interest, and that all or any part of the deposit not refunded within said ten (10) year period shall become the property of COMPANY.

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. A-3

FIFTH: SUBDIVIDER may request refunds under Paragraph FOURTH, once in each calendar quarter, furnishing COMPANY, at such time, a listing of premises claimed to be additional premises; however, failure on the part of SUBDIVIDER to make such request shall not constitute a waiver of any rights hereunder or relieve COMPANY of the obligation to make refunds with reasonable promptness.

SIXTH: SUBDIVIDER will furnish to COMPANY immediately upon recordation thereof in the office of the _____ County Court five (5) copies of the final plat of said subdivision or units thereof as approved by the _____ Commission.

SEVENTH: The ownership of the water main(s) laid hereunder shall at all times be in COMPANY, its successors and assigns.

EIGHTH: This Agreement shall be valid and binding on COMPANY only when executed by its President.

NINTH: This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

TENTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by registered mail to COMPANY at 2300 Richmond Road, Lexington, Kentucky and to SUBDIVIDER at _____.

ELEVENTH: This Agreement is entered into pursuant to the legally established Rules and Regulations of COMPANY and the words, phrases and terms hereof are to be understood and interpreted in conformity with said Rules and Regulations, which are hereby incorporated herein by reference.

Executed by the parties hereto in duplicate this the day and year first above written.

WITNESS: **KENTUCKY AMERICAN WATER**

_____ By: _____
(Director of Engineering)

_____

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

Approved:

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. A-4

(Date)

DEPOSITOR(S):

_____

_____

_____

Phone #: _____

Fax #: _____

Email: _____

WITNESS:

_____ By:_____
(Signature)

_____
(Print or type name)

_____
(Title/Position)

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. A-5

Form of New Subdivision Extension Deposit Agreement for On Site Facilities:

THIS AGREEMENT, entered into this _____ day of _, 20____, by and between KENTUCKY AMERICAN WATER, a Kentucky corporation, having its office at 2300 Richmond Road, Lexington, Kentucky, hereinafter called "COMPANY" and _____, hereinafter called "SUBDIVIDER",

WITNESSETH:

THAT, WHEREAS, SUBDIVIDER is the present owner of a certain tract of land located within the service area of COMPANY, which tract is now being developed by SUBDIVIDER as a new subdivision or unit thereof (hereinafter called the subdivision), and

WHEREAS, the _____ has heretofore approved a preliminary or final plat of said proposed subdivision, upon which plat the location and grade of streets, curbs, sidewalks, building plots, building lines and utility easements are depicted, a copy of which plat is annexed hereto and made a part hereof, marked Exhibit 'A' for identification, and

WHEREAS, SUBDIVIDER desires the extension of the water mains and facilities of COMPANY on the site of said subdivision as hereinafter described,

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties hereto as hereinafter set forth, it is hereby agreed by and between the parties hereto as follows, to-wit:

FIRST: COMPANY contracts and agrees to lay the water main(s) and other related facilities, if any, as shown in red on the plat attached hereto and made a part hereof, marked Exhibit 'A' for identification, which main(s) and facilities, if any, are described and located as follows:

SECOND: It is expressly understood and agreed that if COMPANY shall be delayed or prevented from installing the water main(s) and other related facilities, if any, hereinabove described because of its failure to secure pipe or other construction materials, or for any other cause beyond its control, such failure or delay in performance shall be excused; provided, however, if such failure or delay in performance shall extend for a period of more than ninety (90) days from date of deposit, SUBDIVIDER shall have the right to cancel and terminate this agreement on thirty (30) days' written notice to COMPANY, and thereafter both parties shall be relieved of all duties and obligations arising hereunder. But this right to cancel and terminate by SUBDIVIDER shall not be invoked if COMPANY has received the construction material and SUBDIVIDER has made the deposit as hereinafter required, in which event COMPANY shall have the obligation to prosecute the work diligently to its completion.

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. A-6

THIRD: SUBDIVIDER hereby agrees to deposit with COMPANY, upon notice from COMPANY, that it is prepared and able to go forward with the work provided in Paragraph FIRST hereof, the sum of _____**,** which sum is the presumed cost of installation of said on-site mains and related facilities, if any, as determined under Section C(4) of Rule 10.3 of COMPANY'S Rules and Regulations. No adjustment in deposit will be made, either by way of adding to or reducing the deposit required hereunder, because of a variance between the presumed cost mentioned herein and the actual cost of installation of such main(s) and related facilities, if any.

FOURTH: SUBDIVIDER represents to and covenants with COMPANY that the number of residential and/or commercial building plots to be developed within said subdivision, as shown on the plat attached hereto as Exhibit "A", being a total of _____ building plots which, according to Section A(2) of Rule 10.3 of COMPANY's Rules and Regulations, is equal to _____ lots, will not be decreased in the final plat of said subdivision as the same is hereafter recorded in the office of the Clerk of the Fayette County Court. Upon such representation and covenant, COMPANY hereby agrees to refund to SUBDIVIDER, during the period of ten (10) years from the actual date of deposit, an amount equal to _____ of the total deposit made by SUBDIVIDER under the terms of Paragraph THIRD above, being the sum _____**,** for each premises served within said subdivision (as said subdivision is depicted on Exhibit "A" attached hereto) for which a street service connection shall be directly attached to the main extension herein provided between its original beginning and original terminus (not including, however, connections to further extensions or branches thereof, and being limited to one such service connection per building plot) and for which a bona fide residential or commercial customer has executed a service contract with COMPANY, provided, however, that the total amount returned shall not exceed the original deposit, without interest, and that all or any part of the deposit not refunded within said ten (10) year period shall become the property of COMPANY.

FIFTH: SUBDIVIDER may request refunds under Paragraph FOURTH, once in each calendar quarter, furnishing COMPANY, at such time, a listing of premises claimed to be additional premises; however, failure on the part of SUBDIVIDER to make such request shall not constitute a waiver of any rights hereunder or relieve COMPANY of the obligation to make refunds with reasonable promptness.

SIXTH: As a material consideration for COMPANY'S agreement to design and construct all or some portion of the main(s) and related facilities, if any, described on Exhibit "A" and in Paragraph FIRST hereof on the basis of a preliminary plat of said subdivision, without withholding or delaying such action until a final plat thereof has been approved by the Planning and Zoning Commission and recorded in the office of the Clerk of the Fayette County Court, SUBDIVIDER represents to COMPANY and covenants with COMPANY that the location and grade of streets, sidewalks, curbs, building plots, building lines and utility easements as depicted on the preliminary plat attached hereto as Exhibit "A" will not be altered or changed in any respect in the final plat of said subdivision, as

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. A-7

finally approved by the Lexington-Fayette County Planning and Zoning Commission and as recorded in the office of the Clerk of the Fayette County Court. In the event the location or grade of streets, sidewalks, curbs, building plots, building lines or utility easements be altered, amended or changed in the final plat or in an amended plat of said subdivision as approved by said Commission or as recorded in the office of said Clerk, whether such changes are made with or without the consent of SUBDIVIDER, or in the event a final plat is not approved or recorded, and in event such alteration, amendment, change, failure of approval or of recording requires, in the sole judgment of COMPANY, the relocation, removal, replacement, reconstruction, change in size or addition to the main(s) and related facilities to be constructed by COMPANY pursuant to the Agreement, SUBDIVIDER will immediately, upon demand from COMPANY, pay to COMPANY the actual cost to COMPANY of making such relocations, removals, replacements, changes in sizes and additions to such main(s) and related facilities, if any, so required in the sole judgment of COMPANY, as a result of such changes in location or grade of streets, sidewalks, curbs, building plots, building lines or utility easements. No part of the sums payable to COMPANY by SUBDIVIDER under the terms and provisions of this Paragraph SIXTH shall be subject to refund to SUBDIVIDER. In event SUBDIVIDER fails to pay to COMPANY such sums as may be demanded by COMPANY under provisions of this Paragraph SIXTH within ten (10) days from such demand, COMPANY shall have the right, in addition to and not in limitation of all other remedies, which right shall be superior to the rights of any intervening assignee or creditor of SUBDIVIDER, to apply refunds coming due under Paragraph FOURTH of the Agreement to the reduction and extinguishment of the debt of SUBDIVIDER to COMPANY under terms of this Paragraph SIXTH.

SEVENTH: By execution of this Agreement, SUBDIVIDER grants unto COMPANY, its successors and assigns, the permanent right and privilege to lay and construct its main(s) and related facilities, if any, on, over and through the lands of SUBDIVIDER at the locations depicted on Exhibit "A" and described in Paragraph FIRST above, together with the right to enter upon the adjacent lands of SUBDIVIDER for the purpose of installing, construction, repairing, renewing, replacing and inspecting such main(s) and related facilities, if any.

EIGHTH: SUBDIVIDER will furnish to COMPANY immediately upon recordation thereof in the office of the Clerk of _____ five (5) copies of the final plat of said subdivision as approved by the _____.

NINTH: The ownership of the water main(s) laid hereunder shall at all times be in COMPANY, its successors and assigns.

TENTH: This Agreement shall be valid and binding on COMPANY only when executed by its Director of Engineering.

ELEVENTH: This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY NO. 8
First Sheet No. A-8

TWELFTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by registered mail to COMPANY at 2300 Richmond Road, Lexington, Kentucky and to SUBDIVIDER at _____.

THIRTEENTH: This Agreement is entered into pursuant to the legally established Rules and Regulations of COMPANY and the words, phrases and terms hereof are to be understood and interpreted in conformity with said Rules and Regulations, which are hereby incorporated herein by reference.

Executed by the parties hereto in duplicate this the day and year first above written.

WITNESS: *KENTUCKY AMERICAN WATER*

_____ By: _____
(Director of Engineering)

_____
(Date)

SUBDIVIDER:

_____
_____
_____

Phone #:_____

Fax #: _____

Email: _____

WITNESS:

_____ By: _____
(Signature)

_____
(Print or type name)

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

(Title/Position)

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

APPLICATION FOR SPECIAL CONNECTION

Account No.	
Contract No.	
WBS Element No.	

This Application, made in duplicate this _____day of _____, 20_____, by _____, hereinafter called the "APPLICANT", to KENTUCKY AMERICAN WATER, a Kentucky corporation located at 2300 Richmond Road, Lexington, Kentucky, 40502, hereinafter called the 'WATER COMPANY."

The APPLICANT, upon the terms and conditions hereinafter set forth, hereby applies to the WATER COMPANY for a private service, consisting of the right to connect a service pipe to a public water main on _____ in Lexington and attach to said service pipe the following fixtures and openings:

One (1) _____-inch fire service to supply _____; one _____-inch service line, post indicator and valve with all related fittings to supply a sprinkler system of approximately _____ sprinkler heads, covering approximately _____ square feet of _____ space;

all of which fixtures and openings to be located within or upon the premise of the APPLICANT abutting the street on which the said main of the WATER COMPANY is located.

In consideration for which privilege the APPLICANT agrees to be bound by all the terms and conditions of this Application and pay the WATER COMPANY for private fire protection service at the schedule of rates in effect from time to time during the rendition of such service.

The further terms and conditions upon which this Application may be accepted by the WATER COMPANY are as follows:

FIRST: That this Application and the acceptance thereof by the WATER COMPANY may be subject to the prior approval of the fire department having jurisdiction of the premises to be served.

SECOND: That the entire service system on APPLICANT's premises shall be subject to the inspection, test and approval of the WATER COMPANY, and the WATER COMPANY by its representatives, shall have the right to enter the premises of the APPLICANT at any reasonable time for the purpose of making such reasonable inspections as it may deem necessary, and to insure compliance with the terms and conditions of this Application.

THIRD: That all pipes and appurtenances shall be constructed and maintained in good condition by and at the expense of the APPLICANT.

FOURTH: That a fire line meter or detector device, approved by both the WATER COMPANY and the fire underwriters, will be required on the service at a location approved by the WATER COMPANY. Such meter or device shall be installed and maintained by and at the cost and expense of the APPLICANT, but subject to the inspection and approval of the WATER COMPANY. The bypass meter only, used with the detector device, shall be furnished, installed and maintained by the WATER COMPANY at its cost and expense.

FIFTH: That a gate valve with the post indicator controlling the entire supply shall be placed at the curb or property line of the street in which the main is located or at such other point as may be approved by the WATER COMPANY, and shall be furnished, installed and maintained by and at the expense of the APPLICANT, and unless otherwise approved by the WATER COMPANY, said valve shall be installed in a valve pit or vault which shall also be furnished, installed and maintained by and at the expense of the APPLICANT.

SIXTH: That all hydrants and other fixtures connected to any private fire protection service system shall be kept closed and sealed, and not opened or used except during times of fire or testing. Upon extinguishment of each fire or following each test, the APPLICANT shall immediately close such fixtures and notify the WATER COMPANY so that they may be sealed. Whenever a private fire protection service system is to be tested, the APPLICANT shall notify the WATER COMPANY at least two business days in advance of such proposed test, requesting approval of the method, day and hour on which it is to be made.

SEVENTH: That no antifreeze or any other substance not specifically approved by the Environmental Protection Agency as non-detrimental to the public water supply, shall be introduced into sprinkling systems or into any pipe, fixture, appurtenance or other portion of the APPLICANT's private fire protection service system.

EIGHTH: That the APPLICANT understands and agrees that the extent of the rights of the APPLICANT under this Application is to receive, at times of fire on said premises, such supply of water as shall then be available and no other or greater quantity. The APPLICANT further acknowledges and agrees the WATER COMPANY shall not be considered in any way or manner an insurer of property or persons, or to have undertaken to extinguish fire or to protect any persons or property against loss or damage by fire, or otherwise, and the WATER COMPANY shall be free and exempt from any and all claims for damages on account of any injury to property or persons by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever.

NINTH: That this Application does not contemplate uses of fixtures other than those shown on Exhibit A. Any waste of water or use of water through this connection for purposes other than testing or the extinguishment of fire, shall be deemed a violation of the terms and conditions of this Application and of the rules, regulations and conditions of service of the WATER COMPANY.

TENTH: That if private fire hydrants are included as part of this Application, they shall be painted any color other than that adopted by the WATER COMPANY for public fire hydrants.

ELEVENTH: That the APPLICANT shall furnish, attach and make a part hereof marked Exhibit A, three (3) complete sets of drawings showing the pipes, pumps, valves, hydrants, sprinkler systems, hose outlets and connections, standpipes, tanks and other openings and appurtenances contemplated in this Application. Such drawings, which shall be stamped "Approved" by the Insurance Services Office or other comparable agency approved by the WATER COMPANY, must also show all other water supply systems and pipelines and appurtenances which are proposed or which may exist on the premises to be served.

TWELFTH: That no pipe, fixture or appurtenance connected with the private fire protection service served by this Application shall be connected with any pipe, fixture or appurtenance supplied with water from any other source, unless specifically approved in writing by the WATER COMPANY.

THIRTEENTH: That the APPLICANT agrees to obtain in writing in advance the appro nge, alteration, addition or deletion contemplated in the pipes, fixtures, openings and appurtenances and us oval of the WATER COMPANY, APPLICANT agrees that, except for those facilities which the WATER C and maintain, APPLICANT is and will be solely responsible for the design, adequacy, function and maintenance of its private fire protection service system referred to in this Application.

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

FOURTEENTH: That the WATER COMPANY has the right to discontinue or disconnect the service pipe herein applied for, and to terminate service under this Application, after due written notice to the APPLICANT, for failure to pay any bill when due, for failure to supply information to WATER COMPANY about the service system when so requested in writing, for leakage within APPLICANT's system, for violation of any of the terms and conditions of this Application, or for any violation of its rules, regulations and conditions of service; and the WATER COMPANY also has the right to shut off all or any part of its facilities by the WATER COMPANY(1) if a condition dangerous or hazardous to life, physical safety or property exists, (2) upon order by any court, the Public Service Commission or other duly authorized public authority, (3) if fraudulent or unauthorized use of water by APPLICANT is detected, or if the WATER COMPANY's regulating or measuring equipment has been tampered with by the APPLICANT.

FIFTEENTH: That upon acceptance of this Application by the WATER COMPANY and the completion of the installation of the service applied for, this Application shall be in full force and effect as a contract and shall continue as such until cancelled by written notice given thirty (30) days in advance by the APPLICANT to the WATER COMPANY, except as otherwise provided in numbered paragraph (14) above.

SIXTEENTH: The acceptance of this Application by the WATER COMPANY must be executed by its Director of Engineering before same becomes effective.

SEVENTEENTH: If ownership of the property served by the service applied for herein changes, notice thereof shall be given to the WATER COMPANY within thirty (30) days and the new owner shall be identified by name, address and proper person to contact.

EIGHTEENTH: That the APPLICANT or his agent is responsible for payment of the deposit for the estimated cost of construction to WATER COMPANY. To the extent there is any refund to be made at the end of the project after all costs are accrued, such refund will be paid to the APPLICANT by check made payable to the APPLICANT. To the extent that any amount is owed to WATER COMPANY at the end of the project after all costs are accrued, payment of such amounts is the responsibility of the APPLICANT. To the extent the APPLICANT owes any of the refunded amount to the contractors, APPLICANT agrees it is responsible for these amounts owed and that WATER COMPANY has no responsibility in that regard.

IN WITNESS WHEREOF, the APPLICANT has hereunto signed the day and year: _____

_____

_____

* **Phone:** _____

Fax: _____

* **Email:** _____

_____ _____
Witness Signature *Signature and Title of APPLICANT or Duly Authorized Representative*

APPROVED this _____ day of _____, 20 _____.

_____ _____
Witness Signature *Chief of Fire Department*

County/City of _____

WATER COMPANY hereby accepts the foregoing Application this _____ day of _____, 20 _____.

_____ _____ _____
Witness Signature *Director of Engineering* *Date*

KENTUCKY
PUBLIC SERVICE COMMISSION

Gwen R. Pinson
Executive Director

Gwen R. Pinson

EFFECTIVE

9/10/2018

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 2

Description of Filing Requirement:

Proposed Tariffs

Response:

Please see attached for copy of Proposed Tariffs.

For electronic version, see KAW_APP_EX02_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY

2300 Richmond Road
Lexington, KY 40502

http://www.amwater.com/kyaw

RATES – CHARGES – RULES – REGULATIONS

FOR FURNISHING

WATER SERVICE

AT

BOURBON, CLARK, FAYETTE, FRANKLIN, GALLATIN, GRANT, HARRISON, JACKSON, JESSAMINE, NICHOLAS, OWEN, SCOTT, WOODFORD, AND ROCKCASTLE COUNTIES IN KENTUCKY

FILED WITH THE

PUBLIC SERVICE COMMISSION

OF

KENTUCKY

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 1

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(D) indicates deletion

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 2

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ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 3

1. DEFINITIONS APPLICABLE TO RULES & REGULATIONS

1.1 "Commission" means the Kentucky Public Service Commission.

1.2 "Company" shall mean the Kentucky-American Water Company acting through its officers, managers, or other duly authorized employees or agents.

1.3 "Customer" shall mean any person, firm, corporation, entity or municipality supplied with water service by Kentucky-American Water Company pursuant to these Rules and Regulations.

1.4 "Bona fide prospective customer" shall mean any owner or lessee who is to be the occupant of an existing developed premises having a curb line abutting on that part of a street or public highway in which there is, or is to be, located a distribution main of the Company, who shall file a signed application for a new street service connection and for water service to such premises to be occupied.

1.5 "Residential" – Sales to single premise residences, or to multiple premises residences where each premises is served through a single Meter. Sprinkler services added to existing premises coded as residential would also be coded as residential. For premises served through a single Meter with multiple owners, where usage is primary for residential purposes, and the water is billed to a homeowner association such as a condominium complex they will be classified as residential and charged the residential rate.

1.6 "Commercial" – Sales to multiple premises residences served through a single Meter or battery of Meters. This would include two (or more) family houses and apartment houses. Sales to private schools, colleges, hospitals, churches and other private educational, cultural, social or religious organizations. Sales to business or manufacturing establishments where the water is not used principally in manufacturing or processing functions. This would include commercial offices of public utilities. Examples under this category are: stores, laundries, cleaners, shoe repair and other service establishments, garages and service stations, office buildings, sales offices or manufacturing or processing establishments, retail florists, theaters, bowling alleys, swim clubs, golf courses, manufacturing or processing establishment where water is used principally for sanitary purposes, barber shops. Water used for irrigation for agricultural purposes would normally be coded as commercial. Sprinkler services added to existing premises coded as commercial or industrial would also be coded as commercial.

1.7 "Industrial" – Sales to manufacturing of processing establishments where the water is used principally in manufacturing or processing function. This would include public or private utility plants using water for steam generation, power production, etc.

1.8 Other Public Authority or "OPA" – Sales to municipal, county, state or federal agencies (other than the sales of water for resale). Examples under this category are: city buildings, public schools, public housing developments, libraries and hospitals, fire stations, county, state and federal buildings and agencies.

1.9 Sales for Resale or "Resale" – Sales to private or public water utilities where the water is to be resold to customers of the utilities.

1.10 "Meter" means a device which measures and records the quantity of water supplied to a Customer.

1.11 "Company Service Line" means that portion of the water service line and appurtenances from the main to the Customer Service Line that is paid for and/or owned by the Company.

1.12 "Customer Service Line" means that portion of the water service line and appurtenances from the Customer's Premises to the Company Service Line, which is paid for and/or owned by the Customer. When the Meter is outside the Premises, the Customer Service Line is from the Meter pit to the Premises. When the Meter is inside the Premises, the Customer Service Line is from the stop box to the Premises.

1.13 "Premises" as contemplated in these Rules, shall mean and include:

1.13.1 A building under one roof and occupied as one business or residence; or

1.13.2 A combination of buildings owned or leased by one party in one common enclosure or a single tract of land not crossed by public streets, roads, or ways, and occupied by one family or business; or

1.13.3 a building owned or leased by one party, having two or more apartments, offices, or suites of offices, and using one or more halls and entrances in common; or

1.13.4 a double house having a solid vertical partition wall or a building erected as a single family residence served through one street service connection and subsequently converted into apartments or offices or a combination of such, and where separate water supply plumbing would not be practicable; or

1.13.5 each residential or business single occupancy unit, served through one street service connection in a building which is not a premise otherwise defined in these Rules.

1.13.6 any other location at which the Company provides metered service to a Customer in

accordance with these Rules regardless of whether there is a structure or building at that exact location.

1.14 "Fire Service Connection" is one to which is attached fixtures from which water is taken only for the extinguishment of fire.

1.15 "Public Fire Hydrant" - All public fire hydrants contracted for or ordered by Urban County, Municipality, County, State or Federal Agencies or Institutions. These must be located on or immediately adjacent to public right-of-way.

1.16 "Private Fire Hydrant" – All hydrants contracted for or by private entities on private property for the use of that entity or on private right-of-way. Also for public agencies for hydrants not located on public right-of-way.

1.17 "New Private Fire Hydrant Service" is available to areas before such time as a unit of government shall agree to pay public fire protection charges thereon in accordance with Rule 11 herein.

1.18 "Private Fire Service" – All private and public fire protection service lines with hose connections or sprinkler systems charged by line size.

1.19 "Temporary Service Connection" is one which is installed for the temporary use of water, including service to individual mobile homes. Provided: They are located on lots having a curb line abutting on that part of a street or public highway in which there is, or is to be, located a distribution main of the Company extending for at least one-half of the frontage of the lot on said street or highway.

1.20 "Rate" means the Company's Schedules of Rates and Tariffs then in effect.

1.21 "Rules" or "Rule" means these Company Rules and Regulations applicable to water service.

2. SERVICE & APPLICATIONS

2.1 Rules and Regulations Governing Rendering of Service

(a) The Rules and Regulations in their entirety as hereinafter set forth or as they may hereafter be altered or amended in a regular and legal manner shall govern the rendering of water service and every Customer will be bound thereby. The Rules and Regulations and Service Classifications contained in this tariff apply in the service territory of Kentucky-American Water Company.

(b) Except fire and some special connection services, all service will be rendered on a Meter basis. Residential, commercial, industrial and OPA service are only regularly available for single Premises as "Premises" is defined in these Rules.

2.2 Requests for Water Service

(a) All persons, entities, firms, corporations or OPA's desiring water service, must request service from the Company in a manner prescribed by the Company, setting forth all purposes for which water will be used at the Premises for which service is requested. All information provided by the Customer must be true, accurate and kept up to date.

(b) Any change in the identity of the Customer at a Premises will require a new request for water service and the Company may, after reasonable notice, discontinue the water supply until such new request has been made and accepted.

(c) A Customer who has requested service and been accepted by the Company, shall be held liable for all water service furnished to the Premises until such time as the Customer properly notifies the Company to discontinue the service for his/her account at the Premises.

(d) An activation fee will be charged in accordance with the Company's Tariff.

(e) No Customer receiving water service from the Company will be permitted to use water for any other purpose than that for which they shall have requested and the Company shall have approved.

(f) The Company may refuse service to a Customer with an outstanding, unpaid balance due until the Customer pays the balance due.

2.3 Special Arrangements for Water Service

(a) Water for building or construction purposes must be specially applied for.

(b) Connections for private fire service and private fire hydrant service must be specially applied for.

(c) Water for transient or temporary purposes must be specially applied for.

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 7

3. BILLING, ABATEMENTS & REFUNDS

3.1 Abatements and Refunds

Abatement shall be made for leaks in service pipes or fixtures belonging to the Customer in accordance to Tariff.

3.2 Meter Bill Adjustment

(a) Whenever a Meter in service is found upon periodic request or complaint test to be more than two percent (2%) fast, additional tests shall be made at once to determine the average error of the Meter. Said tests shall be made in accordance with the Commission's regulation applicable to the type of Meter involved. Meter testing shall be conducted in accordance with the then-applicable Rules.

(b) Determination of Meter Error for Bill Adjustment Purposes. When upon periodic request or complaint test, a Meter is found to be in error in excess of the limits allowed by the Commission's regulations, three additional tests shall be made; one at 75% of rated maximum capacity; one at 50% of rated maximum capacity; one at 25% of rated maximum capacity. The average Meter error shall be the algebraic average of the errors of the three tests.

(c) If the result of tests on a Customer's Meter shows an average error greater than two percent (2%) fast, then the Customer's bill, for the period during which the Meter error is known to have existed, shall be recomputed and the account adjusted on the basis of the test. If the period during which the error existed cannot be determined with reasonable precision, the time period shall be estimated using the data as elapsed time since the last meter test, if applicable, and historical usage data for the customer. If that data is not available, the average usage of a similar class of customers shall be used for comparison purposes in calculating the time period. (See exception in Section (f) of this Rule).

(d) If the result of tests on a Customer's Meter shows an average error greater than two percent (2%) slow, then the Customer's bill for the period during which the Meter error is known to have existed, may be recomputed and the account adjusted on the basis of the test. If the period during which the error existed cannot be determined with reasonable precision, the time period shall be estimated using the data as elapsed time since the last meter test, if applicable, and historical usage data for the customer. If that data is not available, the average usage of a similar class of customers shall be used for comparison purposes in calculating the time period. The Company will limit the period of

recovery for under-billing to only the most recent twelve (12) months of under-billing, even if the under-billing occurred for a longer period.

(e) It shall be understood that when a Meter is found to have an error in excess of two percent (2%) fast or slow the figure for calculating the amount of refund or the amount to be collected by the Company shall be that percentage of error as determined by the test; i.e., it is the duty of the Company to maintain the accuracy of its measuring device as nearly one hundred percent (100%) as is commercially practicable. Therefore, percent error shall be that difference between one hundred percent (100%) and that amount of error as indicated by the test.

(f) The burden of maintaining measuring equipment so that it will register accurately is upon the Company; therefore, if Meters are found upon test to register fast and if time for periodic test has overrun to the extent that one-half (1/2) of the time elapsed since the last previous test exceeds twelve (12) months, the refund shall be as specified in Section C of this Rule and in addition thereto, a like refund for those months exceeding the periodic test period; provided, however, that the Commission may relieve the utility from this requirement in any particular case in which it is shown that the failure to make the periodic test was due to causes beyond the utility's control.

3.3 Terms and Conditions of Billing and Payment

(a) All fire service charges shall be payable monthly in arrears.

(b) Bills for water service by Meter will be rendered monthly with ending dates as may be determined by the Company.

(c) Bills for private fire hydrants shall be payable quarterly in advance, except that the charges for private fire hydrant service shall be payable as set forth in Rule 11.

(d) Special charges shall be payable upon demand.

(e) All bills for water and service are due and payable when rendered and are considered delinquent if not paid in accordance with Tariff and Commission regulations. Failure to pay will render the Customer subject to disconnection and subject to payment of reconnection in Tariff. If any bill for water service is not paid in accordance with Tariff, the service may be discontinued in accordance with Rule 4, Disconnecting & Reconnecting Service.

(f) Customers are responsible for furnishing the Company with their correct billing addresses (email or postal address). Failure to receive bills will not be considered an

excuse for non-payment nor permit an extension of the date when the account would be considered delinquent.

(g) All bills will be sent to the billing address (email or postal address) provided when requesting water service unless the Company is notified in writing by the Customer of any change of billing address.

(h) The Company will not be bound by bills rendered under mistake of fact as to the quantity of service rendered.

(i) The use of water by the same Customer in different Premises or localities will not be combined.

(j) If for any reason service is discontinued before the expiration of twenty-five (25) days from commencement of service, a bill for a prorated portion of the minimum service charge for the month will be rendered.

(k) Residential Customers may elect to participate in a monthly budget billing payment plan. Under such a plan, Customers shall pay a fixed monthly amount determined by the Compa based on historical or estimated usage. A Customer may enroll in such a plan at any time b contacting the Company. The Company will issue bills so as to bring each customer's account current once each 12-month period or through a series of levelized adjustments on monthly basis if usage indicates that the account will not be current upon payment of the la monthly budget amount. If a Customer fails to pay bills as required under the plan, the Company reserves the right to remove the Customer from the plan, restore the customer to regular billing, and require immediate payment of any deficiency.

4. DISCONNECTING AND RECONNECTING SERVICE

4.1 Discontinuance of Water Service

(a) Water service will be discontinued to any Premises on account of temporary vacancy upon request of the Customer, without in any way affecting the agreement in force, and upon payment of all charges due as provided for in the Rates and Rules of the Company.

(b) The Company shall discontinue the Customer's service for violation of any Rule or for non-payment of bills upon providing the Customer with at least ten (10) days written notice delivered by mail or personally delivered to him/her or a member of his/her household,

advising the Customer of what Rule had been violated and for which service will be discontinued if violation continues. However, discontinuance of service shall be effected no less than twenty (20) days after the mailing date of the original bill unless, prior to discontinuance, a residential customer presents to the Company a written certificate, signed by a physician, registered nurse or public health officer, that such discontinuance will aggravate an existing illness or infirmity on the affected premises In that case, discontinuance may not be effected for thirty (30) days beyond the termination date as calcula above. Where fraudulent use of water is detected, or where the Company's regulating or measuring equipment has been tampered with, or where a dangerous condition is found to exi on the Customer's Premises, service may be shut off without advance notice. Subject to the foregoing provisions, service rendered under any application, contract or agreement may be discontinued by the Company for any of the following reasons:

i. For willful or indifferent waste of water due to any cause which adversely affects either water service to other Customers or the Company's utility operation.

ii. For failure to protect from injury or damage the Meter and connections, or for failure to protect and maintain the service pipe or fixtures on the property of the Customer, in a condition satisfactory to the Company.

iii. For interfering or tampering by the Customer, or others with the knowledge of the Customer, with any Meter, connection, service pipe, curb stop, seal or any other appliance of the Company controlling or regulating the Customer's water supply.

iv. For failure to provide the Company's employees free and reasonable access to the Premises or for obstructing the way of ingress to the Meter or other appliance of the Company controlling or regulating the Customer's water supply (with at least fifteen (15) days advance written notice).

v. For non-payment of any account for water supplied, for water service, or for Meter or service maintenance, or for any other fee or charge at the Premise accruing under these Rates and Rules. Discontinuation of service for non-payment on an account shall only be made at the Premise associated with that Account and will not occur for other accounts held by the same Customer that are current in payments unless the Customer has requested multiple accounts or premises be combined for billing purposes.

vi. In case of vacancy of the premises.

vii. For violation of any other Rule or Regulation of the Company or State and Municipal Rules and Regulations applying to the Company's water service.

(c) In cases where plumbing has been installed prior to adoption of and not in accordance with these Rules, and where water is being taken through a single service pipe to supply two or more Premises, the party making application shall be responsible for all water bills and other legitimate charges. Any violation of the Company Rules with reference to either or any of the said Premises or for the supply of water thereto, shall be deemed a violation as to all, and the Company may enforce compliance with these Rules by shutting off the entire service except that such action will not be taken until the innocent Customer who is not in violation of the Company's Rules, has been given a reasonable notice and opportunity to attach his pipes to a separately controlled curb stop, to be provided by and at the expense of the

Company.

(d) Discontinuing the supply of water to a Premises for any such reason shall not prevent the

Company from pursuing any lawful remedy by action at law or otherwise for the collection of moneys due from the Customer.

4.2 Renewal of Water Service After Discontinuance

(a) When water service to a Premises has been terminated for any reason other than temporary vacancy, it will be renewed only after the conditions, circumstances or practices which caused the water service to be discontinued are corrected to the satisfaction of the Company, and upon payment of all charges due and payable by the Customer in accordance with the Rates and Rules.

(b) No Customer whose service has been turned off shall turn on same, or have same done by anyone other than the Company.

4.3 Reconnection Charge

When it has been necessary to discontinue water service to any Premises because of a violation of the Rules or on account of non-payment of any bill, a charge will be made to cover the expense as set forth in the Company's Schedule of Rates and Charges. This charge, together with any arrears that may be due th Company for charges against the Customer, must be paid before the water will be reconnected.

5. COMPLAINTS

5.1 Customer Complaints

Any complaint against the service or employees of the Company may be made at the office of the Company or by telephone, mail or email. The Company will handle all Complaints in accordance with regulatory requirements.

6. METERS, TESTING AND ACCURACY

6.1 Meters

(a) Water will be sold by Meter measurement only.

(b) All Meters, except detector devices and/or fire service line Meters, will be installed, maintained and replaced by; and at the expense of the Company, but in case of damage to such Meters by reason of any act, neglect or omission on the part of the Customer (such as damages occasioned by accident or misuse or purposeful actions) the Customer shall pay to the Company the cost of its repair on presentation of bill therefore.

(c) The Company reserves the right to determine the kind and size of Meter that shall be placed on any service pipe, and such Meters will be furnished, installed and removed by the Company alone, and shall remain its property.

(d) Each Premise shall be supplied through an independent Meter setting.

(e) If more than one Meter setting is installed upon a Customer's Premise, the usage of all Meters on a Premise may be combined for billing purposes if so requested by the Customer. Combined billing will be continued as long as the Premises criteria is met.

(f) All Meters are accurately tested before installation and are also periodically tested in accordance with the Public Service Commission's regulations. The Company may at any time remove any Meter for periodic tests or for repairs or replacement and may, at its option and expense, test any Meter when the Company has reason to believe that it is registering inaccurately.

(g) The Company shall make any test of any Meter upon written request of the Customer if the request is not made more frequently than once each twelve (12) months. The Customer shall be given the opportunity to be present at the requested test. The Customer may be billed the actual cost of making the test, but should the said Meter be found, upon said test, to be more than two percent incorrect to the prejudice of the Customer, the fee so charged shall be returned to the Customer.

(h) The Company reserves the right to put seals on any water Meter, or on couplings in and for any premises, and may shut off the supply if such seals are found broken or removed.

(i) Once any Meter has been placed, any change in location requested by the Customer will be done by the Company, at the expense of the Customer, if the location is acceptable pursuant to 6.1(k).

(j) Monitoring of Customer usage shall be in compliance with the then-applicable Rules and Regulations. The Company monitors Customer usage on a monthly basis through its collection of usage information. Upon the collection of that information, the Company compares usage for a particular month with a Customer's historical usage. To the extent the current month's usage show an unusual deviation from historical usage, the Company will notify the Customer and take steps to determine the reason for the unusual deviation.

(k) Meters may be located either in an outdoor Meter box or vault, at the option of the Company. The location of the Meter must be acceptable to the Company and allow for the Meter to be easily examined, tested, repaired, read, removed or replaced. The Meter box or vault shall be located in a convenient and readily accessible location acceptable to the Company. The Meter box or vault must be constructed to protect the Meter from freezing and damage by vehicular traffic, and its location and design shall prevent, as far as possible, the inflow of surface water. After a Meter is installed by the Company, a Customer shall not tamper with, alter, repair or remove the Meter or allow anyone other than the Company to do so. Any plumbing, piping, grading or structural modification which could result in the relocation of the Meter or impact accessibility must first be approved by the Company.

6.2 Accuracy Requirements of Water Meters

(a) General. All meters used for measuring the quantity of water delivered to a customer shall be in good mechanical condition and shall be adequate in size and design for the type of service which they measure.

(b) Determination of Accuracy. No new, rebuilt or repaired meter shall be placed in service if it registers outside the parameters established in the then-applicable Rules and Regulations.

(c) As Found Tests. All meters tested in accordance with the rules for periodic, request or complaint tests, shall be tested in the condition as found in the Customer's service prior to any alteration or adjustment in order to determine the average meter error.

7. PROTECTION OF PUBLIC WATER SYSTEM

7.1 Intercepting and Storage Tanks

(a) Customer Service Lines shall not be connected to the suction side of pumps, unless approved by the Company. Customers who require a large quantity of water within a short period of time must have intercepting or intermediate storage tanks, pump discharge control valves, or other controls approved by the Company.

(b) The inlet connection for the tanks attached directly or indirectly to the Customer Service Line shall discharge at a point no less than two (2) times the diameter of the inlet pipe above the overflow of such tanks and must be approved by the Company.

7.2 Check Valves, Flush Valves and Vacuum Breakers

(a) Customers having boilers or hot water heating systems connected with mains of the Company must have a check valve in the supply pipe to the boilers and hot water heating systems, together with a relief valve at some point between the check valve and heating system. A vacuum valve should be installed, in accordance to applicable plumbing requirements, in the steam line to prevent collapse in case the water supply is interrupted. The Company, however, will not be responsible for accidents or damages resulting from the imperfect action or failure of said valves.

(b) Flush valve or direct flushing closets should not be installed in Premises where the service pipe supplying such Premises is connected to a main two inches or less in diameter. All flush valves shall be equipped with approved type vacuum breakers.

7.3 Plumbing Work Must Be Approved by Company

All plumbing work done in connection with pipe and fixtures connected with the Company's mains shall be submitted for the approval of the Company before such work is covered up. Whenever the Company determines that plumbing work is defective, the Company may require it be corrected before the water will be turned on.

7.4 Cross-Connections

(a) No cross-connection will be permitted unless an acceptable form of protection against contamination by backflow into the water distribution system is provided by a testable backflow prevention assembly. Acceptable forms of protection must comply with all applicable state and local requirements and approved by the Company. The required protective device or system shall be provided, installed and maintained by the Customer in good working condition, at the Customer's expense, and shall be subject to testing and approval of the Company before being

placed in service, and at such times thereafter as may be deemed necessary by the Company.

(b) Any cross-connection existing which is in violation of these Rules shall be immediately removed or corrected. Failure of the Customer to do so may result in immediate termination of water service in accordance with Rule 4.

8. RIGHTS AND RESPONSIBILITIES

8.1 Customers Requiring Uninterrupted Supply

(a) The Company will endeavor to give reasonable service but does not guarantee a sufficient or consistent pressure or an absolutely uninterrupted supply of water, and Customers are cautioned to provide sufficient storage of water where an absolutely uninterrupted supply must be assured, such as for steam boilers, domestic hot water systems, gas engines, etc.

(b) Fixtures or devices taking a supply of water directly from the service pipes, depending upon the hydraulic pressure of the pipe system of the Company for supplying same under working pressure, will do so at the risk of the parties making such attachments, as the Company will not be responsible for any accidents or damages to which such fixtures or devices are subject.

8.2 Interruptions in Water Supply

(a) The Company reserves the right at any time to shut off the water in the Mains without notice in case of accident or emergency, or for the purpose of making connections, extensions, improvements, alterations, repairs, changes, or for other proper business reasons, and may restrict the use of water to reserve a sufficient supply in its reservoirs for fire protection or other emergencies whenever the public welfare may so require in accordance with Commission Rules. Notwithstanding any other provision in these Rules or any contract or agreement between the Company and any Customer, when, in the judgment of the Company, sufficient supplies of water are not available to the Company, for any reason, to meet all existing and reasonably anticipated demands for service or to preserve and replenish its storage in amounts sufficient to provide fire protection on its system, the Company shall have the right to restrict, limit, curtail or interrupt water service to or water usage by any Customer or Customers.

(b) The temporary shutting off of water from any Premises for any cause, whether non-payment of bills, leaking pipes, fixtures, etc. shall not cancel a contract for water supply service except at the option of the Company or upon notice from the Customer.

8.3 Liability of Company

(a) The Company shall not in any way or under any circumstances be held liable or responsible to any person or persons for any loss or damage from any excess or deficiency in the pressure, volume, or supply of water, due to any cause whatsoever. The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the service, but it cannot and does not guarantee that such will not occur.

(b) The Company will make every effort to maintain a pressure on the distribution system that is required for reasonable service and is compliant with federal and state requirements, but it does not guarantee to furnish at all times any given quantity for fire uses or for general purposes.

(c) The Company shall not be responsible for accidents or damages to boilers, hot water tanks, etc., resulting from the discontinuance of service, nor by reason of the breaking of any main, water pipe, fixture or appliance whether owned by the company or Customer, and no person shall be entitled to damages nor have any portion of a payment refunded for any interruption of service. The Company will exercise every care in this matter, and in the event of the necessity of turning off water, every reasonable effort will be made to notify the Customer.

(d) The Company shall not be considered in any manner an insurer of property or persons, or to have undertaken to extinguish fire or to protect any persons or property against loss or damage by fire, or otherwise. The Company agrees to furnish such supply of water as shall then be available and not other or greater, and it shall be free and exempt from any and all claims for damages on account of any injury to property or persons by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever.

8.4 Meters

No person shall turn the water on or off at any street valve, Company stop, curb stop or other street connection, or at meter setting or meter vault, or disconnect, remove or bypass any meter without the consent of the Company. The Company has the right to prosecute for any damage resulting from any unauthorized tampering with Company property.

8.4 Electrical Ground

No electric wires shall be grounded on the mains of the Company or on any Company Service Lines or pipes or fixtures of any kind which have a metallic connection with the mains of the Company. The Company has the right to prosecute for any damage resulting violation of this Rule.

8.5 Limitations on Resale of Water

Water furnished to any customer, except for a customer classified as a “Sales for Resale” customer, is for

the customer's use only and such water shall not be resold by the customer to any other person, firm, or corporation on the customer's premises or for use on any other premise. This restriction, however, does not preclude a customer from allocating the Company's billing to the customer to any other person, firm, or corporation provided the sum of such allocations does not exceed the Company's billing.

9. CUSTOMER AND COMPANY SERVICE LINES

9.1 Company Service Lines

(a) Subject to Rule 10 on Main extensions and subject to the terms of any applicable Main extension agreement, the Company will install a Company Service Line provided that it is required for the immediate and continuous supply of water in order to furnish general water service, and that the Premise to be served abuts a street, highway or right-of-way in which a Main is located.

(b) The Customer shall install the Customer Service Line to a point approved by an authorized employee of the Company, after which the Company will have the Company Service Line installed from the Main to the Customer Service Line upon payment by the Customer of the tap fee. Where the Company Service Line is already installed, the Customer Service Line shall be connected to the Company Service Line at a point approved by an authorized employee of the Company.

(c) The Company Service Line shall be sized, furnished, installed, owned and maintained only by the Company and shall remain under its sole control. Only the Company may make connections to its Mains. Nothing may be attached to the Company Service Line except a Customer Service Line. The connection to the Company Service Line must be made by an authorized employee or agent of the Company, or a licensed plumber.

9.2 Customer Service Lines

(a) The Company will specify the location of the connection to the Customer Service Line. The Customer Service Line shall be installed, maintained, and/or owned by the Customer, at the Customer's expense and risk. The Customer Service Lines shall be installed in accordance with applicable plumbing requirements.

(b) Each Premise shall be served by no more than one Customer Service Line unless otherwise approved by the Company. Customer Service Lines supplying the Premises shall not pass through or across any other Premises. No water pipes or plumbing in any Premises shall be extended from there to any other Premises.

When a Customer Service Line is relocated at the Customer's request, or when no associated relocation of the Company's Service Lines or other infrastructure is occurring, the Customer shall be responsible for the cost of such relocation. In instances where a Customer Service Line is require to be relocated due to roadway construction or other causes not within Company control, and the Company's Service Lines or other infrastructure is also being relocated, the Customer shall not be responsible for the cost of such relocation unless the Customer requests a specific location different than that specified by the Company.

A Customer's Service Line which is irregularly located because there was no Main abutting the Premises at the time such Customer Service Line was installed shall, at the Customer's expense, be relocated and connected to a new Company Service Line on the Main abutting the Premises when it becomes necessary for such Customer Service Line to be repaired or replaced.

(c) A Customer, occupant, owner, or any agent thereof is not authorized to attach the Customer Service Line to Company property or shut the water line on or off. If a Customer, occupant, owner, or any agent thereof does so, and in making an attachment or in shutting off or turning on water does not properly replace the curb box cap or Meter lid, or damages the curb stop, curb box, copper setter, or other property of the Company, repairs shall be made only by the Company, but at the Customer's expense. If a Customer, occupant, owner, or any agent thereof takes any unauthorized action described therein, the Company shall not be liable for any personal and property damage caused to Customer's property.

(d) The Customer Service Line and all connections and fixtures attached thereto shall be subject to the approval of the Company before water will be turned on. All Premises receiving a supply of water and all Company Service Lines and Meters and appurtenances, including any and all fixtures within the Premises, shall at all reasonable hours be subject to inspection by any duly authorized employee or agent of the Company.

(e) Only an authorized agent of the Company may turn water on and off in the meter box. In case of emergencies, licensed plumbers may turn water on and off if a shut off valve is not available in the Premise and must notify Company within 24 hours of doing so.

10. WATER MAIN EXTENSIONS

10.1 General Main Extensions Rules

(a) In estimating the cost of an extension, the estimate shall be based on the diameter of the pipe to be used, provided, however, the estimated cost to the Customer or Customers shall not be based on a pipe diameter in excess of eight (8) inches, unless actual consumption estimated for the proposed

Customer or Customers requires a larger pipe.

(b) No interest will be paid by the Company on the Applicant's payment or on any balances not refunded. At the expiration of said ten-year period, the refund account will be closed, and no further refunds will be made.

(c) Extensions made under this Rule shall be and remain the property of the Company.

(d) The Company reserves the right to further extend its water mains from and beyond the end of each Water Main Extension made under this Rule. The Applicant or the Applicant's agent paying for an extension shall not be entitled to any refund for the connecting of Customers to any further extension of mains installed.

(e) In determining the length of main extensions to be installed, the main shall be extended to fully cover the frontage of the property, and if the last lot to be served is a corner lot or a lot immediately adjacent to a corner lot, the terminal point of the extension made hereunder shall be located so that the main laid hereunder ties in with the existing main located in the intersecting street; and further provided that if there is no main located in the intersecting street, the terminal point of the extension made hereunder shall be located at the nearest street line of the intersecting street or to the edge of subdivision property, including common area.

10.2 Main Extensions for Other than in New Subdivisions

(a) For Free Extensions, the Company will, upon written request for Residential service by a prospective Residential Customer or a group of prospective Customers located in the same

neighborhood, make free of charge an extension necessary to give service, when the estimated total revenue, for a period of three (3) years from the prospective Customer or Customers is approximately equal to the cost of the extension; provided that the prospects are that the patronage or demand will be of such permanency as to warrant the capital expenditure involved.

(b) For Extension Above Limit, if the extension required in order to furnish general water service at any point within the corporate limits of the municipality or for any adjacent suburb of the municipality is greater than the cost of the free extension specified herein, such an extension will be made under the following conditions: the Company shall require a deposit of the cost of the extension above the free limit and will, in such case, for each additional Customer directly connected to the extension between its original beginning and original end within a period of ten (10) years from the making of such extension, refund an amount equal to three times the estimated annual revenue of the new Customer, but at no time shall the aggregate refund made to any Customer exceed the original deposit of such Customer.

(c) The free extension or refund amount shall not be reduced below that applicable to fifty (50) feet of main per Customer. A prospective Customer is one who will connect to such main extension within the refund period after the date the water is turned on in the main; provided further, that there is delivered to the Company a written guarantee by a financially responsible person or firm that such prospective Customer will take water service within the aforementioned refund period.

10.3 Main Extensions for New Subdivision

(a) Definitions

i. The term "new subdivision" as used herein shall mean any new subdivision of residential and/or commercial lots for which a preliminary or final plat has been approved by the local planning and zoning authority, and in which the owner thereof has the right, under the rules of said Authority, to construct streets, sidewalks, curbs and other improvements.

ii. The term "lot" as used herein shall mean any plot of ground laid out for building purposes, the front footage of which does not exceed one hundred feet. Should the frontage of any plot exceed one hundred feet, it shall, for the purposes of this Rule be considered as a single lot, if the average footage
of all lots in the subdivision does not exceed one hundred feet. If the average frontage of all lots in the subdivision does exceed one hundred feet, the total number of lots in the subdivision shall be determined by dividing the total frontage of all the lots in the subdivision by one hundred feet.

iii. The term "on site facilities" as used herein shall include only those water mains and related facilities, if any, to be installed by Company and located within the boundaries of the new subdivision or part thereof as said boundaries are depicted on the preliminary (or final, if applicable) plat of such subdivision or part thereof approved by the local planning and zoning authority.

iv. The term "off-site facilities" as used herein shall include all water mains and related facilities, if any, to be installed by Company and located outside of the boundaries of said new subdivision as said boundaries are depicted on the preliminary (or final, if applicable) plat of said subdivision as approved by the local planning and zoning authority, in order to deliver an adequate supply of water from existing mains of Company to such new subdivision.

v. The term "current estimated cost" as used herein shall mean that sum determined by Company as the estimated cost of installing one foot of water main, together with that sum determined by Company as the estimated cost of installing each type of appurtenant related facility. During the first quarter of each year, Company will determine from its records its actual average cost per foot, during the preceding calendar year, of construction and installation of all sizes and grades of water mains for which the construction projects have been completed during such calendar year, together with its average cost during such calendar year of installing each type and size of related facility for which construction has been completed during such year. Such average cost per foot and such average cost per appurtenant facility shall be deemed to be the "current estimated cost" for such mains and facilitie during the twelve month period immediately following such determinations, it being contemplated that the current estimated cost will be revised annually in order to keep same as current as practicable.

(b) Before water lines will be laid hereunder in any new subdivision, it is understood and agreed that the road surface shall be brought to the established sub-grade; and the developer or builder of such new subdivision shall furnish the Company with a right-of-way agreement suitable in form to the Company, unless the streets of the new subdivision have been dedicated to the public use.

(c) When an extension of Company's water distribution system into any new subdivision or part thereof as defined herein is requested by the owner of such subdivision, such extension will be made under the terms of a "New Subdivision Extension Deposit Agreement for Off Site Facilities" as hereinafter set forth in the Appendix, and/or a "New Subdivision Extension Deposit

Agreement for On Site Facilities" as hereinafter set forth in the Appendix, which Agreements shall be entered into upon the following basis:

i. Company shall have the exclusive right to determine the type, location and size of mains to be installed and of the related facilities required to render adequate service.

ii. The owner of the new subdivision may elect to develop it in sections or units and to have main extensions made into such sections or units from time to time as the same are ready for development and may elect further to have the entire subdivision considered as a whole for the purpose of making deposits and receiving refunds for off-site facilities under Company Rule No. 10. In such event, owners shall furnish Company with preliminary or final plats of the unit or units thereof to be initially developed, such plats to be

approved as hereinafter provided, such plats to be so furnished prior to the making of any extensions into said new Subdivision. As subsequent units of said subdivision are thereafter developed, preliminary or final plats so approved thereof shall be furnished to Company as hereinafter provided. Upon delivery to Company by the owner of such subdivision of four (4) copies of a preliminary or final plat of the subdivision or units thereof, duly approved by the Local planning and zoning authority, which plats shall depict the location and grade of all streets, sidewalks, building plots, building lines a utility easements contained therein, together with evidence of the owner's authority to construct streets, sidewalks, curbs and other improvements therei Company shall prepare appropriate plans and specifications for the installatio of necessary mains and related facilities to render adequate service therein, including where applicable, such off site facilities as deemed necessary and upon delivery to Company by the owner of such subdivision, any other information requested by the Company.

iii. Separate Extension Deposit Agreements, in the form provided in the Appendix, shall be entered into by the owner of the subdivision and Company for off-site facilities and for each separate unit in which on site facilities are requested, provided, moreover, that the ten (10) year refund period applicable in such agreements shall apply separately to each such transaction.

iv. When plans and specifications for installation of such mains and related facilities are completed, Company shall determine the presumed cost of construction and installation of such mains and related facilities which presumed cost shall be the aggregate of (1) the total number of feet of each size and grade of main required in such construction multiplied, respectively by Company's current estimated cost for each such size and grade of main, and (2) the total cost of installation of all related facilities required in such construction as determined by Company's current estimated cost for each of such facilities. In absence of actual cost data upon which to prepare a current estimated cost for any particular required related facility or size and grade of main, the presumed cost thereto shall be the best estimate of Company with respect to the cost of such mains or related facilities based on available information with respect to same. In making such determinations of presumed cost of construction, Company shall separately compute the cost of installation and construction of on-site mains and facilities required and the cost of off-site mains and facilities required.

v. When such determination of presumed cost of on-site mains and facilities and presumed cost of off-site mains and facilities required has been completed, the sums to be deposited by the owner of such subdivision with Company under the terms of the "New Subdivision Extension Deposit Agreement for On Site Facilities" and the "New Subdivision Extension Deposit Agreement for Off Site Facilities" if applicable, shall be determined by Company and shall be (1) the total presumed cost of all on site mains and related facilities of the new subdivision or any part thereof to be constructed as determined as herein provided, and (2) (a) the presumed cost o ten (10) feet of off-site mains and facilities multiplied by the total number of building plots shown on and included within the whole of said new subdivisic or (2) (b) the presumed cost of all required off site facilities, whichever be the smaller sum. The presumed cost per foot of off-site mains and facilities as used in this computation shall be determined by dividing the total presumed cost of all off site mains and related facilities by the total footage of such off site mains. In the event it is necessary to construct off site mains for a distanc in feet greater than ten (10) times the number of building plots included withi the whole of said subdivision as depicted on the initial submitted plat thereof, such excess off site extension will not be made under the "New Subdivision Extension Deposit Agreement for Off Site Facilities", but shall be made unde an Extension Deposit Agreement as provided in the Appendix of these Rules.

vi. For each Premises served for which a street service connection shall be directly attached to such main extension between its original beginning or

original terminus, excluding connections to further extensions or branches thereof, and crediting no more than one such service connection per building plot, Company shall refund to the owner of such subdivision under terms and provisions of New Subdivision Extension Deposit Agreements separately executed each for on-site and off-site improvements, amounts determined as follows:

a. For on-site facilities, the quotient obtained by dividing the total presumed cost of all on site mains and related facilities, determined as provided in Section (c) vi above for that part of the new subdivision then to be developed, by the total number of lots, determined as provided in Section (a) ii herein, which will be served by the on-site facilities then to be developed and as shown

on the preliminary or final plat of the part of the subdivision to be developed.

b. For off-site facilities, the quotient obtained by dividing the deposit for off-site facilities, determined as provided in Section (c) iv above, by the total number of building plots shown on and included within the whole of said subdivision and shown on the preliminary or final plat of the whole subdivision delivered to Company as provided in Section (c) ii above.

vii. The owner of such subdivision, in consideration of an accelerated development of said subdivision to be obtained through Company's proceeding, on the basis of a preliminary plat, with its plans and specifications, and, at Company's option, with construction of its mains and facilities, shall, as a part of the New Subdivision Extension Deposit Agreements for both Off Site and On Site Facilities, warrant to Company that the location and grade of streets, curbs, sidewalks, building plots, building lines and utility easements as depicted on said preliminary plat will not be altered or changed in any respect in the final plat of said subdivision or part thereof, as finally approved by the local planning and zoning authority and recorded in the Office of the County Clerk. In the event the location or grade of streets, sidewalks, curbs, building plots, building lines or utility easements be altered, amended or changed in the final plat or in an amended plat of said subdivision or part thereof as approved by said Authority or as recorded in the office of said Clerk, whether such changes are made with or without the consent of said subdivider, and in the event such alteration,

amendment or change requires, in the sole judgment of Company, the relocation, removal, replacement, reconstruction, change in site or additions t the mains and related facilities, the subdivider shall indemnify and hold harmless Company of and from any and all damages and costs of such removal, replacement, relocation, reconstruction and any all other expenses or costs relating to Company because of the change of location or grade of streets, curbs, sidewalks, lots, building lines or utility easements in said subdivision or part thereof.

(d) Company shall, upon written request of any owner of a new subdivision, with who a contract has been entered into under these Rules, made within thirty (30) days after effective date of these Rules, re-execute such agreements under terms of these Rules.

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11. PUBLIC AND PRIVATE FIRE SERVICE

11.1 Application for Private Fire Service

(a) The extent of the rights of the Customer for private fire service is to receive, but only at times of fire at the Premises served by the private fire service, such supply of water as shall then be available. The Company shall not be considered in any manner an insurer of property or persons, or to have undertaken to extinguish fires, or to protect any persons or property against loss or damage by fire, or otherwise, and it shall be free and exempt from any and all claims for damages on account of any injury to property or persons by reason of fire, water failure to supply water or pressure, or for any other cause whatsoever.

(b) The applicant or its agent shall complete an "Application for Special Connection," which is available at the Company's offices. Service connections for water to be taken for the extinguishment of fire shall be made only upon the terms as provided for in the "Application for Special Connection," and then only after such application has been submitted by the Customer and approved in writing by the Company and the applicable Fire Department.

(c) A gate valve with post indicator controlling the entire supply shall be placed at the curb or property line of the street in which the main is located or at such other point as may be approved by the Company, and said valve and post indicator shall be furnished, installed and maintained by the Company at the expense of the Customer, and unless otherwise approved by the Company, said valve shall be installed which shall be furnished, installed and maintained by and at the expense of the Customer.

(d) The Company will make the connection to its mains at the cost and expense of the Customer, and the service connection from the main to the post indicator valve as described in Section 11.1 (c) will be furnished, installed, owned and maintained by the Company and at the cost and expense of the Customer.

(e) The entire private fire service system on the Customer's premises shall be installed by and at the expense of the Customer and shall be subject to the inspection, test and approval of the Company before the service is made effective, and at such time thereafter as may be deemed necessary by the Company.

(f) A private fire service connection is furnished for the sole purpose of supplying water for the testing of the system and the extinguishment of fires, and the use of water from such a connection for any other purpose is absolutely forbidden.

(g) Private fire protection service may at any time be furnished at the option of the Company through a line guarded by an approved fire line meter or detector device which shall be furnished and installed by the Company at the expense of the Customer. The meter shall be set in an approved vault or chamber, properly drained and protected, located at a point as near as possible to the curb line, and said vault or chamber shall be constructed and maintained by the Company at the expense of the Customer. The meter

or detector device will be maintained by the Company, but at the expense of the Customer.

(h) Hydrants and other fixtures connected with a private fire service connection may be sealed by the Company, and such seals shall be broken only in case of fire or as specially permitted by the Company, and the Customer must immediately notify the Company of the breaking of any such seal.

(i) No pipe or fixtures connected with a private fire service connection served by the Company shall be connected with pipes or fixtures supplied with water from any other source. An industry approved backflow prevention device reviewed by the Company must be installed on private fire service connections and such device must be tested annually thereafter.

(j) The entire private fire service connection and all parts of it which are located outside of the property line of the Customer and any meter or other indicating or controlling device and all parts and appurtenances thereof no matter where located shall be accessible and available in a safe manner to the Company at all times.

(k) The Company shall determine the size and location of any connections made to its mains for private fire service.

(l) The Customer shall furnish an accurate sketch or drawing showing the pipes, valves, hydrants, connections and appurtenances on the premises of the Customer and connected with the mains of the Company and
also an accurate sketch of any other water pipe system and fixtures that may exist on the premises.

(m) Whenever a fire service system is to be tested under the regulations of the fire insurance underwriters, the Customer shall notify the Company of such proposed test, naming the day and hour when same is to be made, so that, if desired, the Company may have an inspector present during the test.

(n) All applications for private fire protection shall be subject to the written approval of the applicable Fire Department. It is the Customer's responsibility to obtain this approval.

(o) All subsequent owners of the property containing private fire service, assume all responsibilities under the original Application for Special Connection.

11.2 Terms and Conditions for New Private Fire Hydrant Service

(a) Applicants and Customers subject to this tariff are also subject to Rule 11.1(a), (b), and (f), which are incorporated by reference as if set forth herein.

(b) The entire cost for labor, materials and other expenses incurred in installing the private fire hydrant connection, consisting of tapping the main and installing the hydrant branch and hydrant at a convenient point between the curb and property line, will be paid by the Applicant and any work done by the Company in connection therewith will be at the expense and risk of the Applicant.

(c) Advance payment of three years' private service rate in Service Classification No. 4 for each private fire hydrant by the applicant will be required at the time the contract is signed for private fire hydrant service.

(d) Water used for extinguishing fires will not be charged. Prompt notice of hydrant use is to be given to the Company in order that the installation may be inspected.

(e) Except for hydrants owned by private entities as set forth in their contract with the Company, title to the service connection and hydrant shall, upon completion of construction, become vested in the Company, which thereafter shall assume responsibility for maintenance. Regardless of ownership, all parts and appurtenances shall be accessible and available to the Company at all times.

(f) No private fire hydrant will be installed at a location where the normal flow from the hydrant is less than 500 gallons per minute with a 20 pounds per square inch residual pressure in the main serving the hydrant.

(g) After expiration of the initial three-year advance payment of the private service rate by the applicant, the applicant will continue to be responsible for charges for this service. The applicant may request the Company's consent to transfer responsibility for the private service rate to an entity in good standing in the state in which the entity was organized. Any such request must be approved by the applicant, the entity to which the responsibility is being transferred, and the Company in order to be effective.

(h) Failure to pay the private service rate shall be sufficient cause for discontinuance of water service after reasonable notice by the Company.

(i) The private service rate shall continue in effect until such time as a unit of government shall agree to pay public fire protection charges thereon.

11.3 Public Fire Hydrants

(a) No person, except for the legitimate purpose of extinguishing fires or for other purposes herein provided, shall open any fire hydrant without the consent of the Company.

(b) During freezing weather, the City or County shall notify the Company after it has opened any hydrant.

(c) Any expenses for repairs caused by the negligence of the employees of the municipality or by members of the fire department shall be paid for by the municipality.

(d) The use of fire hydrants will be restricted to the taking of water for the extinguishing of fires, and water shall not be taken from any fire hydrant for construction purposes, sprinkling streets, flushing trenches, sewers or gutters or for any other use, unless specifically permitted by the Company for the particular time and occasion.

(e) Inspections and tests of public fire hydrants will be made by the Company at convenient times and reasonable intervals.

(f) Whenever a change in location, size or type of a fire hydrant is ordered, requested, or made necessary due to change in line or grade of any roadway, curb or walk, said change will be made by the Company at the expense of the municipality or other party ordering, requesting, or making necessary such change.

(g) In the event that the City or County shall order in writing the installation of additional fire hydrants on existing mains having an internal diameter of six inches or larger, the Company will install such hydrants at its own cost and expense, provided that such mains are of adequate capacity to provide the required fire flows.

(h) Where pipe line installations are required to carry out a written order of the City or County to install fire hydrants, or where existing mains, in the opinion of the Company, are inadequate to provide required fire flows to such hydrants, and the City or County orders in writing the installation of a water main of adequate size to provide such flows to the hydrant or hydrants so ordered, the Company will install such mains and hydrants at its own cost and expense, provided that the estimated cost of the extension does not exceed the estimated total revenue for a period of three (3) years from such hydrant or hydrants and from prospective Customers who will connect to such main within thirty (30) days after the date that water is turned into the main; and provided, further, that there is delivered to the Company a written guarantee by a financially responsible person or firm that such prospective Customers will take water service at their premises within thirty (30) days after the date that water is turned into the main. If the estimated cost of the proposed extension and hydrants required in order to furnish fire service exceeds three (3) times the Company's estimate of immediate annual revenue, such extensions will be made under the following conditions: the Company may require a deposit in the amount by which the cost of the extension, including the cost of hydrants which might be connected thereto, exceeds three (3) times the annual revenue estimated to be received from the hydrant and prospective Customers and will, in such case, for each additional Customer directly connected to the extension between its original beginning and original end with a period of ten (10) years from the making of such extension, refund an amount equal to three (3) times the estimated annual revenue of the new Customer, but at no time shall the aggregate refund made exceed the original deposit.

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12. SERVICE CLASSIFICATIONS AND TARIFFS/RATES/FEES

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

Applicable
(T) Applicable to the entire Service Territory of Kentucky-American Water Company unless otherwise noted.

Availability of Service
Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered service.

Meter Rates
The following shall be the rates for consumption, in addition to the service charges provided for herein;

	Customer Category	Rate Per 1,000 Gallons All consumption	Rate Per 100 Gallons All Consumption
(I)	Residential	$6.3640	$0.6364
(I)	Commercial	5.7120	0.5712
(I)	Industrial	4.7500	0.4750
(I)	Municipal & Other Public Authority	5.1910	0.5191
(I)	Sales for Resale	4.7600	0.4760

Service Charges
All metered general water service customers shall pay a service charge based on the size of meter installed. The service charge will not entitle the customer to any water.

(T) Size of Meter	Residential Service Charge Per Month		All Classes Service Charge Per Month	
5/8”	$12.49	(D)	$ 15.00	(I)
3 /4”	18.74	(D)	22.40	(I)
1”	31.23	(D)	37.30	(I)
1-1 /2”	62.45	(D)	74.70	(I)
2”	99.92	(D)	119.50	(I)
3”	187.35	(D)	224.00	(I)
4”	312.25	(D)	373.40	(I)
6”	624.50	(D)	746.70	(I)
8”	999.20	(D)	1,194.70	(I)

(I) Indicates increase
(D) Indicates deletion
(T) Indicates change in text

ISSUED: November 28, 2018 **Approved:**
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 30

(D) **CLASSIFICATION OF SERVICE**
(D) **SERVICE CLASSIFICATION NO. 1**

(D) **Applicable**
(D) Applicable to Kentucky-American Water Company customers in Eastern Rockcastle County.

(D) **Availability of Service**
(D) Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other
(D) Public Authority metered service.

(D) **Meter Rates and Service Charges**
(D) The following shall be the rates for consumption. The Minimum Bill, and each 1,000 gallons of
(D) consumption beyond the minimum bill shall be:

(D) (D)	Meter Size	Minimum Bill	Volume included in Minimum Bill	Rate per 1,000 gallons over Minimum Bill
(D)	5/8”	$28.28	2,000	$11.53
(D)	3 / 4”	$28.28	2,000	11.53
(D)	1”	$62.87	5,000	11.53
(D)	2”	$178.17	15,000	11.53

(D) Indicates deletion

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Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 31

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 3

Applicable

(T) Applicable to the entire Service Territory of Kentucky-American Water Company unless otherwise noted.

Availability of Service

Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates

	Size of Service	Rate Per Month	Rate Per Annum
(I)	2" Diameter	$ 9.16	$ 109.92
(I)	4" Diameter	36.92	443.04
(I)	6" Diameter	83.04	996.48
(I)	8" Diameter	147.62	1,771.44
(I)	10" Diameter	230.72	2,768.64
(I)	12" Diameter	332.71	3,992.52
(I)	14" Diameter	479.07	5,748.84
(I)	16" Diameter	590.78	7,089.36

Special Provisions

No charge shall be made for water used in extinguishing accidental fires or for Underwriters' tests, and water shall not be drawn from a private fire service connection for any other purpose.

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed in Service Classification No. 1 shall also be charged.

The charges under this provision are in addition to any general water service charges.

(I) Indicates Increase
(T) Indicates text change

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

TAPPING FEES

Applicable

(T) Applicable to the entire Service Territory of Kentucky-American Water Company unless otherwise noted.

Availability of Service

Available for residential, commercial, industrial, other public authority and sales for resale customers.

Tapping (Connection) Fees

Size of Meter Connected

(R)	5/8-Inch	$1,223.00
(R)	1-Inch	2,174.00
(R)	2-Inch	4,002.00
	Service larger than 2”	Actual Cost

For services greater than 2”, a cost-adjustable deposit is required upon application. The tapping fee will be required upon application for all services installed on or after the effective date of this tariff, except in cases where a complete application for service (including plumbing inspection) is on file with the Company prior to the effective date of this tariff.

(N) Rates may be grossed up for state and federal income taxes.

(R) Indicates reduction/decrease
(N) Indicates new rate or requirement
(T) Indicates text change

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 33

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 4

Applicable

(T) Applicable to the entire Service Territory of Kentucky-American Water Company unless otherwise noted.

Availability of Service

Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates for Public Fire Service

	Rate PerMonth	Rate Per Annum
For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental		
(I) Agencies or Institutions.	$49.16	$589.92

Rates for Private Service

For each private fire hydrant contracted for by Industries		
(I) or Private Institutions.	$80.12	$961.44

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition, to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed In Service Classification No. 1 shall also be charged.

The charges under this provision are in addition to any general water service charges.

Special Provisions

A few hydrants are connected to mains by a "special connection." A "special connection" exists when a customer and the Company entered into a service contract in which the customer agreed to maintain an unmetered water line from a Company main to the customer's service line. If the Company has reason to believe water from a special connection is being used for purposes other than fire protection, including that the connection or line is leaking, the Company may install a meter and charge for usage under this tariff. The Company may require the customer to pay for the meter and its installation if:

(1) the Company gives the customer written notice of the usage problem, requests that the customer correct the problem, and informs the customer that failure to correct the problem within 90 days could result in liability of the customer for the cost of installing a meter to monitor usage,

(I) Indicates Increase
(T) Indicates change in text

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 34

(2) the customer does not substantially correct the problem within 90 days of the written notice, and,
(3) the Company thereafter gives three business days' notice, which shall include a cost estimate, that it will install the meter at the customer's expense.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 35

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 5

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Water Used for Construction, Street Washing, Pool Filling, and Similar Purposes.

Rates

Where a meter is installed on a fire hydrant or on a temporary service connection for construction, street washing, pool filling, and similar purposes, the minimum payment for water shall be the monthly service charge for general water service, payable in advance based upon the size of the meter installed. If more than one fire hydrant or temporary service connection is used, the service charge is to apply to each such hydrant or temporary service connection so used.

The Company may require an application to be signed and either the service charge paid in advance or, at the option of the Company, a meter deposit made, and the account handled in the same manner as any other metered account. This service charge will not entitle the Customer to any water and all water used shall be billed at the meter rate schedule. In addition to such charges the Customer shall pay all reasonable costs incurred in connection with the installation and removal of the meter.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 36

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6
BILLING OF LICENSE, OCCUPATION, FRANCHISE OR OTHER SIMILAR CHARGES OR TAXES INCLUDING SCHOOL TAX

Applicable

Applicable to all customers in the Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Residential, Commercial, Industrial, Other Public Authority and Sales for Resale customers.

Rates

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate part of any license, occupation, franchise, fee or other similar fee, charge or tax now or hereafter imposed upon the Company by local taxing authorities or the Kentucky River Authority, whether imposed by ordinance, franchise, statute or otherwise, and which fee, tax or charge is based upon Kentucky River water usage or a percentage of the gross receipts, net receipts, or revenues from sales of water or services rendered by the Company to the customer. Where more than one such charge, fee or tax is imposed, the total of such charges, fees or taxes applicable to a Customer may be billed to the customer as a single amount. Charges, fees or taxes herein referred to shall in all instances be billed to customers on the basis of Company rates or usage effective at the time of billing, and on the basis of the tax rate of usage effective at the time billing is made.

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate amount of school tax in any county requiring a utility gross receipts license tax for schools under KRS 160.613.

There shall also be added to the Customer's bill, as a separate item, any fee, tax or charge imposed upon the customer by a municipality or governmental agency, the purpose of which is to allocate among those customers identified by ordinance, franchise, statute, or otherwise, the cost of fire hydrants imposed upon the municipality or governmental agency. Failure to pay this charge shall not constitute grounds for termination of service.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 37

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6

Applicable

(T) Applicable to the entire Service Territory of Kentucky-American Water Company supplied water from the
(T) Kentucky River.

Availability of Service

Available for Residential, Commercial, Industrial, Other Public Authority and Sales for Resale customers.

Rates

(T) Kentucky-American Water Company in accordance with the tariff shown in First Sheet No. 36 shall charge
(T) a rate of $0.0177 per 100 gallons for Kentucky River Authority withdrawal fees.

Except for rate changes imposed by the Kentucky River Authority, which will be put in effect immediately upon notification of such change by the Kentucky River Authority, this fee will be adjusted annually beginning January, 2002 to reflect any over or under collection of Kentucky River Authority fees existing at the time of the adjustment

(T) indicates change in text

ISSUED: **November 28, 2018** **Approved:**
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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 38

RECONNECTION CHARGE

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for all customers

When it is necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a charge of
Fifty-six Dollars ($56.00) will be made to cover the expense of turning on the water service.

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 39

INSUFFICIENT FUNDS CHARGE

In those instances where a customer renders payment to the Company by check or electronic funds transfer which is not honored upon deposit by the Company, the customer will be charged ($12.00) to cover the processing costs.

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 40

INSPECTION OF SERVICE LINE

Applicable:
Applicable to the entire service territory of Kentucky-American Water Company where neither the Kentucky Department of Housing, Building and Construction or local government conducts an inspection of service lines comparable to that required of water utilities by 807 KAR 5:066 Section 9(3).

Availability of Service:
Inspection of service lines is available to all customers of Kentucky-American Water Company where neither the Kentucky Department of Housing, Building and Construction or local government conducts an inspection of service lines comparable to that required of water utilities by 807 KAR 5:066 Section 9(3). The customer shall leave the trench open and the service line uncovered. The service line must be determined to be free from any tee, branch connection, irregularity or defect before service will be initiated.

Rate:
The customer shall be charged $25.00 for each inspection of a service line.

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 41

NEW ACCOUNT SET UP
ACTIVATION FEE

Applicable
Applicable to all customers who request a new account or a change in ownership of an existing account.

Availability of Service
Available for all customers.

Rate
An activation fee of Twenty-eight ($28.00) Dollars shall be charged to set up a new account or change an existing account. The activation fee covers the cost of meter reading and record change.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 42

LATE PAYMENT FEE

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for all customers.

Rates

Kentucky American Water Company shall charge a 5% late fee on all charges that are paid after the due date on the bill. The late payment fee is 5% calculated upon all amounts owed with the exception of any amounts Kentucky-American Water Company collects pursuant to a third-party billing services contract, or on previously assessed late payment fees or other penalty charges. The late payment charge will only be assessed once on any bill for rendered services. Customers who receive a pledge for or notice of low income water assistance from an authorized agency will not be assessed or required to pay a late payment charge for the bill for which the pledge or notice is received.

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 43

BULK SALES OF WATER THROUGH LOADING STATIONS

Availability of Service

This service is available at locations deemed appropriate by Kentucky-American Water Company.

Rate

The following rates and charges are prescribed for the customers in the area served by Kentucky-American Water Company.

Bulk Sales Rate	$.1674 per 50 gallons

Terms and Conditions of Service

Service taken under this tariff must be prepaid by the customer.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 44

SERVICE CLASSIFICATION NO. 6
HIDDEN LEAK ADJUSTMENT RATE

Applicable
Applicable to entire Service Territory of Kentucky-American Water Company.

Availability of Service
Available for Residential and Commercial customers.

Rates
A charge of twenty-five (25) percent of the applicable tariff will be applied to all water usage determined to be the result of a hidden underground leak.

Terms and Conditions
A hidden underground leak is defined as a leak in the customer service line between the meter and the premises. Hidden underground leak adjustments will be granted to residential and commercial customers. The customer must provide a plumber's statement or list of materials showing that the leak has been repaired. After verification of repairs by the Water Company, the bill will be adjusted by comparing the usage during the leak billing period to the average usage for the past six billing periods. A reasonable estimate will be used in cases when six prior periods of information do not exist. The excess usage will be billed at the rate specified above. During the lifetime of a water service line only two leak adjustments will be permitted. Each adjustment may cover a maximum of two billing periods. Before a third adjustment can be considered, the entire water service line from the meter box to the premises must be replaced. Plastic pipe for repair of underground water service lines must be certified to withstand a working pressure of 160 pounds per square inch or greater.

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 45

KENTUCKY AMERICAN WATER
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Page 1 of 3
652902505804

Monthly Statement

Account No. **1012-210001234567**

Total Amount Due:	**$37.80**
Payment Due By:	**May 29, 2018**

Service Address:
JOHN Q CUSTOMER
1234 ANYWHERE ST UNIT 1234
CITY, ST ZIP CODE

Billing Date:	May 11, 2018
Service Period:	Apr 11 to May 10
Total Gallons:	3,740

THANK YOU FOR BEING OUR CUSTOMER.

Important Account Messages

- Looking for an easy way to manage your account and service needs? Try our redesigned customer portal at www.amwater.com/MyAccount. Find out how much you owe, start or stop service and pay your bill electronically without a convenience fee. And you can access anytime ... 24x7, all day, every day!

For more information, visit www.kentuckyamwater.com

Account Summary – *See page 3 for Account Detail*

Prior Billing:		$42.67
Payments - Thank You!	-	$42.67
Balance Forward:	=	**$0.00**
Service Related Charges:	+	$35.66
Taxes:	+	$2.14
Total Amount Due:	=	**$37.80**

View your account information or pay your bill anytime at: amwater.com/MyAccount

Pay by Phone*: Pay anytime at 1-855-748-6066
**A convenience fee may apply*

Customer Service: 1-800-678-6301
M-F 7:00am to 7:00pm – Emergencies 24/7

Please return bottom portion with your payment. DO NOT send cash. Retain upper portion for your records.

TRA1-S-008001/000002 PC0180 ETM1C001 1 34 6 A

Account No. **1012-210001234567**

Total Amount Due:	**$37.80**
Payment Due By:	**May 29, 2018**
If paying after 5/29/18, pay this amount:	$39.69

KENTUCKY AMERICAN WATER
WE KEEP LIFE FLOWING™
PO Box 790247
St Louis, MO 63179-0247

Service to: 1234 ANYWHERE ST
CITY, ST ZIP CODE

Amount Enclosed $

8001 1 AB 0.301 00001/008001/000002 0047 2 PC0180
JOHN Q CUSTOMER
1234 ANYWHERE ST
UNIT 1234
CITY ST 00000-0000

KENTUCKY AMERICAN WATER
PO BOX 790247
ST LOUIS, MO 63179-0247

00010122100012345670000000000003780013

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 46

Messages from Kentucky American Water

- ***IMPORTANT WATER QUALITY MESSAGE: 2017 Kentucky American Water annual water quality report is available. This report contains important information about your drinking water. Please go to www.amwater.com/ccr/lexington.pdf, www.amwater.com/ccr/owenton.pdf or www.amwater.com/ccr/fordhampton.pdf to view your 2017 annual water quality report or to request a paper copy call 800-678-6301.
- If you would like a copy of our tariff please visit www.kentuckyamwater.com, call 1-800-678-6301, or visit our customer lobby at 2300 Richmond Road in Lexington anytime between 8 a.m. and 4:30 p.m., Monday through Friday.
- Local Office: 2300 Richmond Road (Lexington).

CUSTOMER SERVICE
1-800-678-6301
HOURS: M-F, 7am-7pm • Emergencies: 24/7
TTY/TDD FOR THE HEARING IMPAIRED:
711 (and then reference Customer Service number listed above)

SERVICES

Go Paperless: Save time. Save money. Sign up for **Paperless Billing** and **Auto Pay** on My Account at amwater.com/myaccount. Not registered? Log in and be sure to have your account number handy.

Water Quality: We take water quality seriously. When it comes to complying with federal drinking water standards, we consistently score better than the industry average. For a copy of the annual water quality report for your area, visit kentuckyamwater.com. Under Water Quality, select Water Quality Reports.

H20 Help To Others: This program helps low-income customers who qualify with their water bills. For more information, visit kentuckyamwater.com. Under Customer Service & Billing, select Low Income Program.

EXPLANATION OF OTHER TERMS

Payment by Check: Paying by check authorizes American Water to send the information from your check electronically to your bank for payment. The transaction will appear on your bank statement. The physical check will not be presented to your financial institution or returned to you.

Estimated Bill: This occurs when we are unable to read the water meter. Your usage from the same billing period the prior year is used to calculate the estimated bill. The next actual meter reading corrects any over or under estimates.

Disputes: If you have questions or complaints about your bill, please call us at 1-800-678-6301 before the due date. If your bill is unusually high, it may indicate that there is a leak in your plumbing. For tips on how to detect leaks and use water wisely, visit us online. You'll find helpful tools under the Water Information menu. Every drop counts!

Rates: A detailed listing of charges that make up your bill is available upon request by contacting Customer Service or visiting us online at kentuckyamwater.com. Under Customer Service & Billing, select Your Water Rates.

Correspondence: Please send written correspondence to PO Box 578, Alton, IL 62002-0578. Be sure to include your name, account number, service address, mailing address and phone number including area code. Please do not send correspondence with your payment, as it may delay processing your payment and correspondence.

H2O HELP TO OTHERS PROGRAM - lend a hand to customers in need

☐ I'm adding a one time contribution of $_____ with my payment.
☐ I'd like to add a recurring contribution to each bill of $_____. I understand this amount will be added to each bill.

Address Change(s)

Name

Address

City

State Zip Code

( ) ☐ Mobile Number
Phone Number

E-mail Address

Other ways to pay your bill

Auto Pay
Save time and money. Enroll in Auto Pay, and your bill will be paid on time, every time, directly from your bank account on the due date. No stamps required!

Online
With My Account, you can pay your bill anytime, anywhere. Registration is fast and easy. Visit amwater.com/MyAccount or pay without registration at www.amwater.com/billpay (fee may apply)

In Person
We have agreements with several authorized payment locations in our service area. Visit our website to find one near you.

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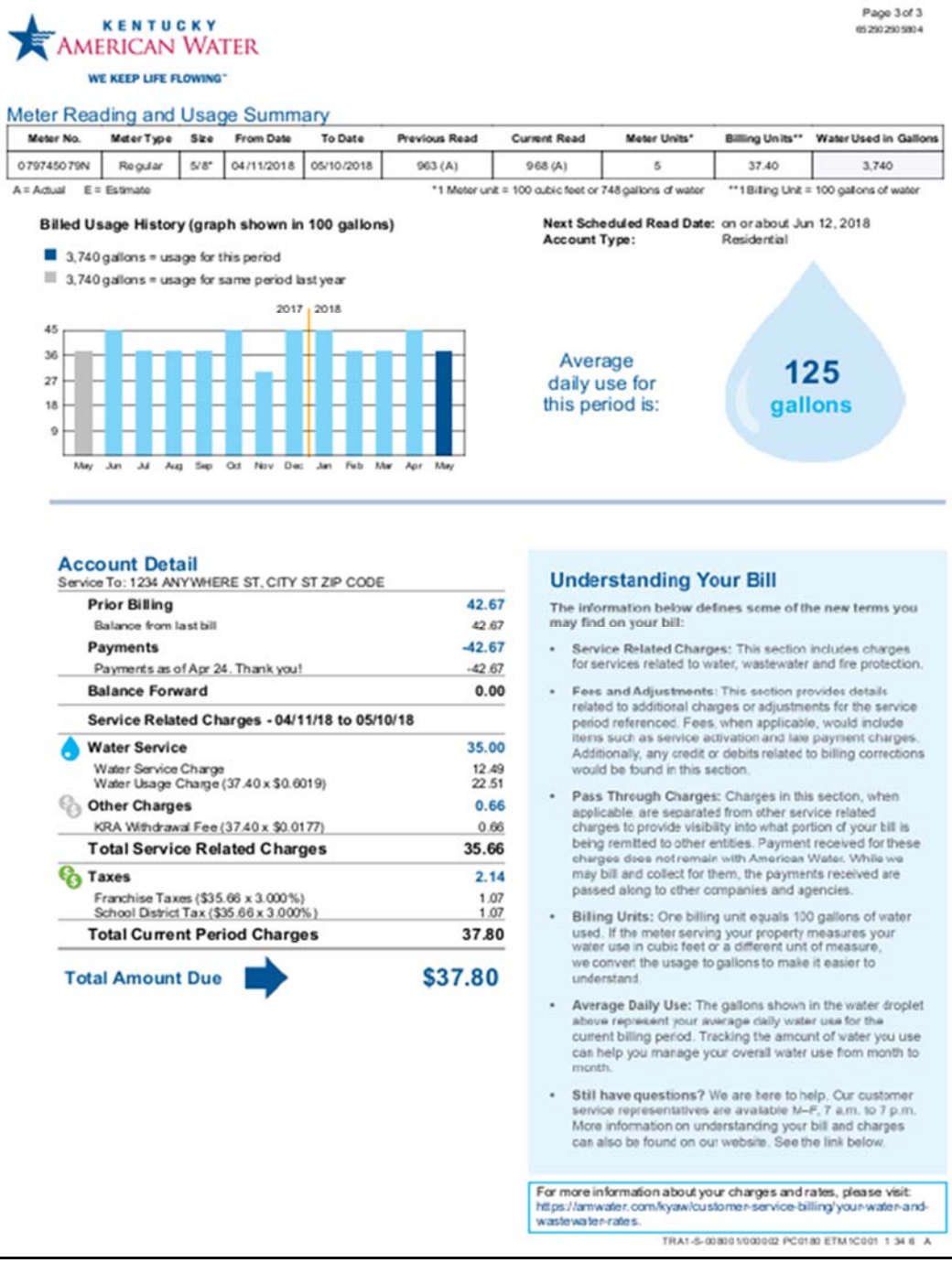
ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 47



KENTUCKY AMERICAN WATER
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Page 3 of 3
652902905804

Meter Reading and Usage Summary

Meter No.	Meter Type	Size	From Date	To Date	Previous Read	Current Read	Meter Units*	Billing Units**	Water Used in Gallons
07974507 9N	Regular	5/8"	04/11/2018	05/10/2018	963 (A)	968 (A)	5	37.40	3,740

A = Actual E = Estimate
*1 Meter unit = 100 cubic feet or 748 gallons of water **1 Billing Unit = 100 gallons of water

Billed Usage History (graph shown in 100 gallons)

3,740 gallons = usage for this period
3,740 gallons = usage for same period last year

Next Scheduled Read Date: on or about Jun 12, 2018
Account Type: Residential

Average daily use for this period is: **125 gallons**

Account Detail

Service To: 1234 ANYWHERE ST, CITY ST ZIP CODE

Prior Billing	**42.67**
Balance from last bill	42.67
Payments	**-42.67**
Payments as of Apr 24. Thank you!	-42.67
Balance Forward	**0.00**
Service Related Charges - 04/11/18 to 05/10/18	
Water Service	**35.00**
Water Service Charge	12.49
Water Usage Charge (37.40 x $0.6019)	22.51
Other Charges	**0.66**
KRA Withdrawal Fee (37.40 x $0.0177)	0.66
Total Service Related Charges	**35.66**
Taxes	**2.14**
Franchise Taxes ($35.66 x 3.000%)	1.07
School District Tax ($35.66 x 3.000%)	1.07
Total Current Period Charges	**37.80**

Total Amount Due **$37.80**

Understanding Your Bill

The information below defines some of the new terms you may find on your bill:

- **Service Related Charges:** This section includes charges for services related to water, wastewater and fire protection.
- **Fees and Adjustments:** This section provides details related to additional charges or adjustments for the service period referenced. Fees, when applicable, would include items such as service activation and late payment charges. Additionally, any credit or debits related to billing corrections would be found in this section.
- **Pass Through Charges:** Charges in this section, when applicable, are separated from other service related charges to provide visibility into what portion of your bill is being remitted to other entities. Payment received for these charges does not remain with American Water. While we may bill and collect for them, the payments received are passed along to other companies and agencies.
- **Billing Units:** One billing unit equals 100 gallons of water used. If the meter serving your property measures your water use in cubic feet or a different unit of measure, we convert the usage to gallons to make it easier to understand.
- **Average Daily Use:** The gallons shown in the water droplet above represent your average daily water use for the current billing period. Tracking the amount of water you use can help you manage your overall water use from month to month.
- **Still have questions?** We are here to help. Our customer service representatives are available M–F, 7 a.m. to 7 p.m. More information on understanding your bill and charges can also be found on our website. See the link below.

For more information about your charges and rates, please visit: https://amwater.com/kyaw/customer-service-billing/your-water-and-wastewater-rates.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 48

(N) **QUALIFIED INFRASTRUCTURE PROGRAM RIDER ("QIP RIDER")**

(N) **APPLICABLE SERVICE AREA**

(N) Applicable to the entire Service Territory of Kentucky American Water Company unless
(N) otherwise noted.

(N) **APPLICABILITY OF RIDER**

(N) Applicable to Residential, Commercial, Industrial, Other Public Authority, Sales for Resale,
(N) Public and Private Fire Service and Hydrant customers.

(N) **CALCULATION OF QUALIFIED INFRASTRUCTURE PROGRAM RIDER REVENUE**
(N) **REQUIREMENT**

(N) The QIP Rider Revenue Requirement includes the following:

(N) a. QIP-eligible Plant In-Service not included in base water rates minus the associated
(N) QIP-related accumulated depreciation and accumulated deferred income taxes;
(N) b. Retirement and removal of plant related to QIP-eligible construction;
(N) c. Return on the net QIP-eligible plant in-service at the overall rate of return on capital
(N) authorized in the Company's latest base water rate case, grossed up for federal and state
(N) income taxes;
(N) d. Depreciation expense on the QIP-eligible Plant In-Service less retirement and
(N) removals;
(N) e. Property taxes related to the QIP.

(N) **QIP ELIGIBLE UTILITY PLANT:**

(N) Distribution Infrastructure – distribution and transmission system structures and improvements, mains
(N) and valves installed as replacements for existing facilities; hydrants, distribution tanks; services, meters
(N) and meter installations, power generation and pumping equipment installed as replacements for existing
(N) facilities; unreimbursed funds related to capital projects to relocate facilities required by governmental
(N) infrastructure projects.

(N) Water Treatment Infrastructure – source of supply and water treatment structures, pipe and equipment
(N) including sampling equipment, SCADA equipment, power generation and pumping equipment installed as
(N) replacements for existing facilities.

(N) Indicates new rate or requirement

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. 49

(N) **RATES**

(N) All customers subject to this QIP Rider receiving water service shall be assessed a monthly
(N) QIP Rider charge in addition to the service charge, consumption charge or monthly fee
(N) component of their applicable rate schedule that will enable the Company to complete the
(N) Qualified Infrastructure Program.

(N) The QIP Rider will be updated annually and subsequently adjusted to true-up the projected
(N) costs with the actual costs. The initial annual prospective QIP period will be the first full
(N) twelve month period following the Forecast Test Period utilized by the Commission in
(N) establishing Base Rates of the Company in its prior Base Rate Case proceeding. A filing
(N) with the projected costs for each twelve month QIP period will be submitted annually at
(N) least 90 days prior to the commencement of that QIP period, to become effective with the
(N) first day of the QIP period. The Company will submit a balancing adjustment annually no
(N) later than 90 days after the end of each 12 month QIP period to true-up the projected program
(N) costs and revenues, with the actuals for the same period. The balancing adjustment true-up
(N) to the rider will become effective 180 days after the end of the QIP period.

(N) The monthly QIP Rider charges for all respective water service classifications will be
(N) calculated as a percentage and applied to all water charges excluding any other surcharge or
(N) add-on taxes. It will be listed as a separate line item on the customer bill. The QIP
(N) percentage shall be calculated on an annual prospective basis. The QIP Rider charge
(N) effective on and after the effective date is:

(N) 0.00%

(N) indicates new rate or requirement

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

APPENDIX

Form of New Subdivision Extension Deposit Agreement for Off Site Facilities:

THIS AGREEMENT, entered into this _day of _____, _____by and between KENTUCKY AMERICAN WATER, a Kentucky corporation, having its office at 2300 Richmond Road, Lexington, Kentucky, hereinafter called "COMPANY", and _____, hereinafter called "SUBDIVIDER",

WITNESSETH:

THAT, WHEREAS, SUBDIVIDER is the present owner of a certain tract of land located within the service area of COMPANY, which tract is now being developed by SUBDIVIDER as a new subdivision or unit thereof (hereinafter called the subdivision), and

WHEREAS, the _____ Commission has heretofore approved a preliminary or final plat of said proposed subdivision, upon which plat the location and grade of streets, curbs, sidewalks, building plots, building lines and utility easements are depicted, a copy of which plat is annexed hereto and made a part hereof, marked Exhibit "B" for identification, and

WHEREAS, SUBDIVIDER desires the extension of the off site water mains and facilities of COMPANY on the site of said subdivision as hereinafter described,

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties hereto as hereinafter set forth, it is hereby agreed by and between the parties hereto as follows, to-wit:

FIRST: COMPANY contracts and agrees to lay the water main(s) and other related facilities, if any, as shown in red on the plat attached hereto and made a part hereof, marked Exhibit "B" for identification, which main(s) and facilities, if any, are described and located as follows:

SECOND: It is expressly understood and agreed that if COMPANY shall be delayed or prevented from installing the water main(s) and other related facilities, if any, hereinabove described because of its failure to secure pipe or other construction materials, or for any other causes beyond its control, such failure or delay in performance shall be excused; provided, however, if such failure or delay in performance shall extend for a period of more than ninety (90) days from date of deposit, SUBDIVIDER shall have the right to cancel and terminate this agreement on thirty (30) days' written notice to COMPANY, and thereafter both parties shall be relieved of all duties

and obligations arising hereunder. But this right to cancel and terminate by SUBDIVIDER shall not be invoked if COMPANY has received the construction material and SUBDIVIDER has made the deposit as hereinafter required, in which event COMPANY shall have the obligation to prosecute the work diligently to its completion.

THIRD: SUBDIVIDER hereby agrees to deposit with COMPANY, upon notice from COMPANY that it is prepared and able to go forward with the work provided in Paragraph FIRST hereof, the sum of _____, which sum is the presumed cost of installation of said off site main(s) and related facilities, if any, as determined under Section C(4) of Rule 10.3 of COMPANY'S Rules and Regulations. No adjustment in deposit will be made, either by way of adding to or reducing the deposit required hereunder, because of a variance between the presumed cost mentioned herein and the actual cost of installation of such main(s) and related facilities, if any.

FOURTH: SUBDIVIDER represents to and covenants with COMPANY that the number of residential and/or commercial building plots to be developed within the whole of said subdivision, as shown on the plat attached hereto as Exhibit "B", being a total of _____building plots, will not be decreased in the final plats of said subdivision as the same are hereafter recorded in the office of the Clerk of the Fayette County Court. Upon such representation and covenant, COMPANY hereby agrees to refund to SUBDIVIDER during the period of ten (10) years from the actual date of deposit, an amount equal to _____ of the total deposit made by SUBDIVIDER under the terms of Paragraph THIRD above, being the sum of _____, for each premises served within said subdivision (as said subdivision is depicted on the plat attached hereto and marked Exhibit "B" for identification) for which a street service connection shall be directly attached to the mains constructed on the site of such subdivision between their original beginning and original termini (not including, however, connections to further extensions or branches thereof, and being limited to one such service connection per building plot) and for which a bona fide residential or commercial customer has executed a service contract with COMPANY, provided, however, that the total amount returned shall not exceed the original deposit, without interest, and that all or any part of the deposit not refunded within said ten (10) year period shall become the property of COMPANY.

FIFTH: SUBDIVIDER may request refunds under Paragraph FOURTH, once in each calendar quarter, furnishing COMPANY, at such time, a listing of premises claimed to be additional premises; however, failure on the part of SUBDIVIDER to make such request shall not constitute a waiver of any rights hereunder or relieve COMPANY of the obligation to make refunds with reasonable promptness.

SIXTH: SUBDIVIDER will furnish to COMPANY immediately upon recordation thereof in the office of the _____ County Court five (5) copies of the final plat of said subdivision or units thereof as approved by the _____ Commission.

SEVENTH: The ownership of the water main(s) laid hereunder shall at all times be in COMPANY, its successors and assigns.

EIGHTH: This Agreement shall be valid and binding on COMPANY only when executed by its President.

NINTH: This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

TENTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by registered mail to COMPANY at 2300 Richmond Road, Lexington, Kentucky and to SUBDIVIDER at _____.

ELEVENTH: This Agreement is entered into pursuant to the legally established Rules and Regulations of COMPANY and the words, phrases and terms hereof are to be understood and interpreted in conformity with said Rules and Regulations, which are hereby incorporated herein by reference.

Executed by the parties hereto in duplicate this the day and year first above written.

WITNESS: **KENTUCKY AMERICAN WATER**

_____ By: _____
(Director of Engineering)

_____

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. A-4

(Date)

DEPOSITOR(S):

_____

_____

_____

Phone #: _____

Fax #: _____

Email: _____

WITNESS:

_____ By: _____
(Signature)

_____
(Print or type name)

_____
(Title/Position)

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Form of New Subdivision Extension Deposit Agreement for On Site Facilities:

THIS AGREEMENT, entered into this _____ day of _, 20___, by and between KENTUCKY AMERICAN WATER, a Kentucky corporation, having its office at 2300 Richmond Road, Lexington, Kentucky, hereinafter called "COMPANY" and _____, hereinafter called "SUBDIVIDER",

WITNESSETH:

THAT, WHEREAS, SUBDIVIDER is the present owner of a certain tract of land located within the service area of COMPANY, which tract is now being developed by SUBDIVIDER as a new subdivision or unit thereof (hereinafter called the subdivision), and

WHEREAS, the _____ has heretofore approved a preliminary or final plat of said proposed subdivision, upon which plat the location and grade of streets, curbs, sidewalks, building plots, building lines and utility easements are depicted, a copy of which plat is annexed hereto and made a part hereof, marked Exhibit 'A' for identification, and

WHEREAS, SUBDIVIDER desires the extension of the water mains and facilities of COMPANY on the site of said subdivision as hereinafter described,

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties hereto as hereinafter set forth, it is hereby agreed by and between the parties hereto as follows, to-wit:

FIRST: COMPANY contracts and agrees to lay the water main(s) and other related facilities, if any, as shown in red on the plat attached hereto and made a part hereof, marked Exhibit 'A' for identification, which main(s) and facilities, if any, are described and located as follows:

SECOND: It is expressly understood and agreed that if COMPANY shall be delayed or prevented from installing the water main(s) and other related facilities, if any, hereinabove described because of its failure to secure pipe or other construction materials, or for any other cause beyond its control, such failure or delay in performance shall be excused; provided, however, if such failure or delay in performance shall extend for a period of more than ninety (90) days from date of deposit, SUBDIVIDER shall have the right to cancel and terminate this agreement on thirty (30) days' written notice to COMPANY, and thereafter both parties shall be relieved of all duties and obligations arising hereunder. But this right to cancel and terminate by SUBDIVIDER shall not be invoked if COMPANY has received the construction material and SUBDIVIDER has made the deposit as hereinafter required, in which event COMPANY shall have the obligation to prosecute the work diligently to its completion.

THIRD: SUBDIVIDER hereby agrees to deposit with COMPANY, upon notice from COMPANY, that it is prepared and able to go forward with the work provided in Paragraph FIRST hereof, the sum of _____**,** which sum is the presumed cost of installation of said on-site mains and related facilities, if any, as determined under Section C(4) of Rule 10.3 of COMPANY'S Rules and Regulations. No adjustment in deposit will be made, either by way of adding to or reducing the deposit required hereunder, because of a variance between the presumed cost mentioned herein and the actual cost of installation of such main(s) and related facilities, if any.

FOURTH: SUBDIVIDER represents to and covenants with COMPANY that the number of residential and/or commercial building plots to be developed within said subdivision, as shown on the plat attached hereto as Exhibit "A", being a total of _____ building plots which, according to Section A(2) of Rule 10.3 of COMPANY's Rules and Regulations, is equal to _____ lots, will not be decreased in the final plat of said subdivision as the same is hereafter recorded in the office of the Clerk of the Fayette County Court. Upon such representation and covenant, COMPANY hereby agrees to refund to SUBDIVIDER, during the period of ten (10) years from the actual date of deposit, an amount equal to _____ of the total deposit made by SUBDIVIDER under the terms of Paragraph THIRD above, being the sum _____**,** for each premises served within said subdivision (as said subdivision is depicted on Exhibit "A" attached hereto) for which a street service connection shall be directly attached to the main extension herein provided between its original beginning and original terminus (not including, however, connections to further extensions or branches thereof, and being limited to one such service connection per building plot) and for which a bona fide residential or commercial customer has executed a service contract with COMPANY, provided, however, that the total amount returned shall not exceed the original deposit, without interest, and that all or any part of the deposit not refunded within said ten (10) year period shall become the property of COMPANY.

FIFTH: SUBDIVIDER may request refunds under Paragraph FOURTH, once in each calendar quarter, furnishing COMPANY, at such time, a listing of premises claimed to be additional premises; however, failure on the part of SUBDIVIDER to make such request shall not constitute a waiver of any rights hereunder or relieve COMPANY of the obligation to make refunds with reasonable promptness.

SIXTH: As a material consideration for COMPANY'S agreement to design and construct all or some portion of the main(s) and related facilities, if any, described on Exhibit "A" and in Paragraph FIRST hereof on the basis of a preliminary plat of said subdivision, without withholding or delaying such action until a final plat thereof has been approved by the Planning and Zoning Commission and recorded in the office of the Clerk of the Fayette County Court, SUBDIVIDER represents to COMPANY and covenants with COMPANY that the location and grade of streets, sidewalks, curbs, building plots, building lines and utility easements as depicted on the preliminary plat attached hereto as Exhibit "A" will not be altered or changed in any respect in the final plat of said subdivision, as

finally approved by the Lexington-Fayette County Planning and Zoning Commission and as recorded in the office of the Clerk of the Fayette County Court. In the event the location or grade of streets, sidewalks, curbs, building plots, building lines or utility easements be altered, amended or changed in the final plat or in an amended plat of said subdivision as approved by said Commission or as recorded in the office of said Clerk, whether such changes are made with or without the consent of SUBDIVIDER, or in the event a final plat is not approved or recorded, and in event such alteration, amendment, change, failure of approval or of recording requires, in the sole judgment of COMPANY, the relocation, removal, replacement, reconstruction, change in size or addition to the main(s) and related facilities to be constructed by COMPANY pursuant to the Agreement, SUBDIVIDER will immediately, upon demand from COMPANY, pay to COMPANY the actual cost to COMPANY of making such relocations, removals, replacements, changes in sizes and additions to such main(s) and related facilities, if any, so required in the sole judgment of COMPANY, as a result of such changes in location or grade of streets, sidewalks, curbs, building plots, building lines or utility easements. No part of the sums payable to COMPANY by SUBDIVIDER under the terms and provisions of this Paragraph SIXTH shall be subject to refund to SUBDIVIDER. In event SUBDIVIDER fails to pay to COMPANY such sums as may be demanded by COMPANY under provisions of this Paragraph SIXTH within ten (10) days from such demand, COMPANY shall have the right, in addition to and not in limitation of all other remedies, which right shall be superior to the rights of any intervening assignee or creditor of SUBDIVIDER, to apply refunds coming due under Paragraph FOURTH of the Agreement to the reduction and extinguishment of the debt of SUBDIVIDER to COMPANY under terms of this Paragraph SIXTH.

SEVENTH: By execution of this Agreement, SUBDIVIDER grants unto COMPANY, its successors and assigns, the permanent right and privilege to lay and construct its main(s) and related facilities, if any, on, over and through the lands of SUBDIVIDER at the locations depicted on Exhibit "A" and described in Paragraph FIRST above, together with the right to enter upon the adjacent lands of SUBDIVIDER for the purpose of installing, construction, repairing, renewing, replacing and inspecting such main(s) and related facilities, if any.

EIGHTH: SUBDIVIDER will furnish to COMPANY immediately upon recordation thereof in the office of the Clerk of _____ five (5) copies of the final plat of said subdivision as approved by the _____.

NINTH: The ownership of the water main(s) laid hereunder shall at all times be in COMPANY, its successors and assigns.

TENTH: This Agreement shall be valid and binding on COMPANY only when executed by its Director of Engineering.

ELEVENTH: This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. A-8

TWELFTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by registered mail to COMPANY at 2300 Richmond Road, Lexington, Kentucky and to SUBDIVIDER at _____.

THIRTEENTH: This Agreement is entered into pursuant to the legally established Rules and Regulations of COMPANY and the words, phrases and terms hereof are to be understood and interpreted in conformity with said Rules and Regulations, which are hereby incorporated herein by reference.

Executed by the parties hereto in duplicate this the day and year first above written.

WITNESS: *KENTUCKY AMERICAN WATER*

_____ By: _____
(Director of Engineering)

_____
(Date)

SUBDIVIDER:
_____
_____
_____

Phone #:_____

Fax #: _____

Email: _____

WITNESS:

_____ By: _____
(Signature)

_____
(Print or type name)

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

(Title/Position)

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. A-10

APPLICATION FOR SPECIAL CONNECTION

Account No.	
Contract No.	
WBS Element No.	

This Application, made in duplicate this _____day of _____, 20 _____ _____, by _____, hereinafter called the "APPLICANT", to KENTUCKY AMERICAN WATER, a Kentucky corporation located at 2300 Richmond Road, Lexington, Kentucky, 40502, hereinafter called the 'WATER COMPANY."

The APPLICANT, upon the terms and conditions hereinafter set forth, hereby applies to the WATER COMPANY for a private service, consisting of the right to connect a service pipe to a _____ public water main on in Lexington and attach to said service pipe the following fixtures and openings:

One (1) _____-inch fire service to _____ supply ; one _____-inch service line, post indicator and valve with all related fittings to supply a sprinkler system of approximately _____ sprinkler heads, covering approximately _____ square feet of _____ space;

all of which fixtures and openings to be located within or upon the premise of the APPLICANT abutting the street on which the said main of the WATER COMPANY is located.

In consideration for which privilege the APPLICANT agrees to be bound by all the terms and conditions of this Application and pay the WATER COMPANY for private fire protection service at the schedule of rates in effect from time to time during the rendition of such service.

The further terms and conditions upon which this Application may be accepted by the WATER COMPANY are as follows:

FIRST: That this Application and the acceptance thereof by the WATER COMPANY may be subject to the prior approval of the fire department having jurisdiction of the premises to be served.

SECOND: That the entire service system on APPLICANT's premises shall be subject to the inspection, test and approval of the WATER COMPANY, and the WATER COMPANY by its representatives, shall have the right to enter the premises of the APPLICANT at any reasonable time for the purpose of making such reasonable inspections as it may deem necessary, and to insure compliance with the terms and conditions of this Application.

THIRD: That all pipes and appurtenances shall be constructed and maintained in good condition by and at the expense of the APPLICANT.

FOURTH: That a fire line meter or detector device, approved by both the WATER COMPANY and the fire underwriters, will be required on the service at a location approved by the WATER COMPANY. Such meter or device shall be installed and maintained by and at the cost and expense of the APPLICANT, but subject to the inspection and approval of the WATER COMPANY. The bypass meter only, used with the detector device, shall be furnished, installed and maintained by the WATER COMPANY at its cost and expense.

FIFTH: That a gate valve with the post indicator controlling the entire supply shall be placed at the curb or property line of the street in which the main is located or at such other point as may be approved by the WATER COMPANY, and shall be furnished, installed and maintained by and at the expense of the APPLICANT, and unless otherwise approved by the WATER COMPANY, said valve shall be installed in a valve pit or vault which shall also be furnished, installed and maintained by and at the expense of the APPLICANT.

SIXTH: That all hydrants and other fixtures connected to any private fire protection service system shall be kept closed and sealed, and not opened or used except during times of fire or testing. Upon extinguishment of each fire or following each test, the APPLICANT shall immediately close such fixtures and notify the WATER COMPANY so that they may be sealed. Whenever a private fire protection service system is to be tested, the APPLICANT shall notify the WATER COMPANY at least two business days in advance of such proposed test, requesting approval of the method, day and hour on which it is to be made.

SEVENTH: That no antifreeze or any other substance not specifically approved by the Environmental Protection Agency as non-detrimental to the public water supply, shall be introduced into sprinkling systems or into any pipe, fixture, appurtenance or other portion of the APPLICANT's private fire protection service system.

EIGHTH: That the APPLICANT understands and agrees that the extent of the rights of the APPLICANT under this Application is to receive, at times of fire on said premises, such supply of water as shall then be available and no other or greater quantity. The APPLICANT further acknowledges and agrees the WATER COMPANY shall not be considered in any way or manner an insurer of property or persons, or to have undertaken to extinguish fire or to protect any persons or property against loss or damage by fire, or otherwise, and the WATER COMPANY shall be free and exempt from any and all claims for damages on account of any injury to property or persons by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever.

NINTH: That this Application does not contemplate uses of fixtures other than those shown on Exhibit A. Any waste of water or use of water through this connection for purposes other than testing or the extinguishment of fire, shall be deemed a violation of the terms and conditions of this Application and of the rules, regulations and conditions of service of the WATER COMPANY.

TENTH: That if private fire hydrants are included as part of this Application, they shall be painted any color other than that adopted by the WATER COMPANY for public fire hydrants.

ELEVENTH: That the APPLICANT shall furnish, attach and make a part hereof marked Exhibit A, three (3) complete sets of drawings showing the pipes, pumps, valves, hydrants, sprinkler systems, hose outlets and connections, standpipes, tanks and other openings and appurtenances contemplated in this Application. Such drawings, which shall be stamped "Approved" by the Insurance Services Office or other comparable agency approved by the WATER COMPANY, must also show all other water supply systems and pipelines and appurtenances which are proposed or which may exist on the premises to be served.

TWELFTH: That no pipe, fixture or appurtenance connected with the private fire protection service served by this Application shall be connected with any pipe, fixture or appurtenance supplied with water from any other source, unless specifically approved in writing by the WATER COMPANY.

THIRTEENTH: That the APPLICANT agrees to obtain in writing in advance the approval of the WATER COMPANY for any change, alteration, addition or deletion contemplated in the pipes, fixtures, openings and appurtenances and uses herein specified. Notwithstanding the approval of the WATER COMPANY, APPLICANT agrees that, except for those facilities which the WATER COMPANY had specifically agreed to provide and maintain, APPLICANT is and will be solely responsible for the design, adequacy, function and maintenance of its private fire protection service system referred to in this Application.

FOURTEENTH: That the WATER COMPANY has the right to discontinue or disconnect the service pipe herein applied for, and to terminate service under this Application, after due written notice to the APPLICANT, for failure to pay any bill when due, for failure to supply information to WATER COMPANY about the service system when so requested in writing, for leakage within APPLICANT's system, for violation of any of the terms and conditions of this Application, or for any violation of its rules, regulations and conditions of service; and the WATER COMPANY also has the right to shut off all or any part of its facilities by the WATER COMPANY(1) if a condition dangerous or hazardous to life, physical safety or property exists, (2) upon order by any court, the Public Service Commission or other duly authorized public authority, (3) if fraudulent or unauthorized use of water by APPLICANT is detected, or if the WATER COMPANY's regulating or measuring equipment has been tampered with by the APPLICANT.

FIFTEENTH: That upon acceptance of this Application by the WATER COMPANY and the completion of the installation of the service applied for, this Application shall be in full force and effect as a contract and shall continue as such until cancelled by written notice given thirty (30) days in advance by the APPLICANT to the WATER COMPANY, except as otherwise provided in numbered paragraph (14) above.

SIXTEENTH: The acceptance of this Application by the WATER COMPANY must be executed by its Director of Engineering before same becomes effective.

SEVENTEENTH: If ownership of the property served by the service applied for herein changes, notice thereof shall be given to the WATER COMPANY within thirty (30) days and the new owner shall be identified by name, address and proper person to contact.

EIGHTEENTH: That the APPLICANT or his agent is responsible for payment of the deposit for the estimated cost of construction to WATER COMPANY. To the extent there is any refund to be made at the end of the project after all costs are accrued, such refund will be paid to the APPLICANT by check made payable to the APPLICANT. To the extent that any amount is owed to WATER COMPANY at the end of the project after all costs are accrued, payment of such amounts is the responsibility of the APPLICANT. To the extent the APPLICANT owes any of the refunded amount to the contractors, APPLICANT agrees it is responsible for these amounts owed and that WATER COMPANY has no responsibility in that regard.

IN WITNESS WHEREOF, the APPLICANT has hereunto signed the day and year:

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY **P.S.C. KY NO. 9**
First Sheet No. A-12

* **Phone:** _____

Fax: _____

* **Email:** _____

_____ _____
Witness Signature *Signature and Title of APPLICANT or Duly Authorized Representative*

APPROVED this _____ day of _____, 20 _____.

_____
Witness Signature *Chief of Fire Department*

County/City of _____

WATER COMPANY hereby accepts the foregoing Application this _____ day of _____, 20_____.

_____ _____ _____
Witness Signature *Director of Engineering* *Date*

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 3

Description of Filing Requirement:

Comparison of Present and Proposed Tariffs in comparative form on the same sheet side by side.

Response:

Please see attached.

For electronic version, see KAW_APP_EX03_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY

2300 Richmond Road
Lexington, KY 40502

http://www.amwater.com/kyaw

RATES – CHARGES – RULES – REGULATIONS

FOR FURNISHING

WATER SERVICE

AT

BOURBON, CLARK, FAYETTE, GALLATIN, GRANT, HARRISON, JESSAMINE, OWEN, SCOTT, WOODFORD, AND ROCKCASTLE COUNTIES IN KENTUCKY

FILED WITH THE

PUBLIC SERVICE COMMISSION

OF

KENTUCKY

ISSUED: : August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Approved: Executive Director
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

KENTUCKY-AMERICAN WATER COMPANY

2300 Richmond Road
Lexington, KY 40502

http://www.amwater.com/kyaw

RATES – CHARGES – RULES – REGULATIONS

FOR FURNISHING

WATER SERVICE

AT

BOURBON, CLARK, FAYETTE, FRANKLIN, GALLATIN, GRANT, HARRISON, JACKSON, JESSAMINE, NICHOLAS, OWEN, SCOTT, WOODFORD, AND ROCKCASTLE COUNTIES IN KENTUCKY

FILED WITH THE

PUBLIC SERVICE COMMISSION

OF

KENTUCKY

ISSUED: November 28, 2018 **Approved:**
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
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Executive Director
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(N) indicates new rate or requirement

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Approved:

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

1. DEFINITIONS APPLICABLE TO RULES & REGULATIONS

1.1 "Commission" means the Kentucky Public Service Commission.

1.2 "Company" shall mean the Kentucky-American Water Company acting through its officers, managers, or other duly authorized employees or agents.

1.3 "Customer" shall mean any person, firm, corporation, entity or municipality supplied with water service by Kentucky-American Water Company pursuant to these Rules and Regulations.

1.4 "Bona fide prospective customer" shall mean any owner or lessee who is to be the occupant of an existing developed premises having a curb line abutting on that part of a street or public highway in which there is, or is to be, located a distribution main of the Company, who shall file a signed application for a new street service connection and for water service to such premises to be occupied.

1.5 "Residential" – Sales to single premise residences, or to multiple premises residences where each premises is served through a single Meter. Sprinkler services added to existing premises coded as residential would also be coded as residential. For premises served through a single Meter with multiple owners, where usage is primary for residential purposes, and the water is billed to a homeowner association such as a condominium complex they will be classified as residential and charged the residential rate.

1.6 "Commercial" – Sales to multiple premises residences served through a single Meter or battery of Meters. This would include two (or more) family houses and apartment houses. Sales to private schools, colleges, hospitals, churches and other private educational, cultural, social or religious organizations. Sales to business or manufacturing establishments where the water is not used principally in manufacturing or processing functions. This would include commercial offices of public utilities. Examples under this category are: stores, laundries, cleaners, shoe repair and other service establishments, garages and service stations, office buildings, sales offices or manufacturing or processing establishments, retail florists, theaters, bowling alleys, swim clubs, golf courses, manufacturing or processing establishment where water is used principally for sanitary purposes, barber shops. Water used for irrigation for agricultural purposes would normally be coded as commercial. Sprinkler services added to existing premises coded as commercial or industrial would also be coded as commercial.

1.7 "Industrial" – Sales to manufacturing of processing establishments where the water is used principally in manufacturing or processing function. This would include public or private utility plants using water for steam generation, power production, etc.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
EFFECTIVE
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Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

1.8 Other Public Authority or "OPA" – Sales to municipal, county, state or federal agencies (other than the sales of water for resale). Examples under this category are: city buildings, public schools, public housing developments, libraries and hospitals, fire stations, county, state and federal buildings and agencies.

1.9 Sales for Resale or "Resale" – Sales to private or public water utilities where the water is to be resold to customers of the utilities.

1.10 "Meter" means a device which measures and records the quantity of water supplied to a Customer.

1.11 "Company Service Line" means that portion of the water service line and appurtenances from the main to the Customer Service Line that is paid for and/or owned by the Company.

1.12 "Customer Service Line" means that portion of the water service line and appurtenances from the Customer's Premises to the Company Service Line, which is paid for and/or owned by the Customer. When the Meter is outside the Premises, the Customer Service Line is from the Meter pit to the Premises. When the Meter is inside the Premises, the Customer Service Line is from the stop box to the Premises.

1.13 "Premises" as contemplated in these Rules, shall mean and include:

1.13.1 A building under one roof and occupied as one business or residence; or

1.13.2 A combination of buildings owned or leased by one party in one common enclosure or a single tract of land not crossed by public streets, roads, or ways, and occupied by one family or business; or

1.13.3 a building owned or leased by one party, having two or more apartments, offices, or suites of offices, and using one or more halls and entrances in common; or

1.13.4 a double house having a solid vertical partition wall or a building erected as a single family residence served through one street service connection and subsequently converted into apartments or offices or a combination of such, and where separate water supply plumbing would not be practicable; or

1.13.5 each residential or business single occupancy unit, served through one street service connection in a building which is not a premise otherwise defined in these Rules.

1.13.6 any other location at which the Company provides metered service to a Customer in

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KENTUCKY
PUBLIC SERVICE COMMISSION
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Gwen R. Pinson
EFFECTIVE
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Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

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2300 Richmond Road, Lexington, KY 40502

accordance with these Rules regardless of whether there is a structure or building at that exact location.

1.14 “Fire Service Connection” is one to which is attached fixtures from which water is taken only for the extinguishment of fire.

1.15 "Public Fire Hydrant" - All public fire hydrants contracted for or ordered by Urban County, Municipality, County, State or Federal Agencies or Institutions. These must be located on or immediately adjacent to public right-of-way.

1.16 "Private Fire Hydrant" – All hydrants contracted for or by private entities on private property for the use of that entity or on private right-of-way. Also for public agencies for hydrants not located on public right-of-way.

1.17 “New Private Fire Hydrant Service” is available to areas before such time as a unit of government shall agree to pay public fire protection charges thereon in accordance with Rule 11 herein.

1.18 "Private Fire Service" – All private and public fire protection service lines with hose connections or sprinkler systems charged by line size.

1.19 “Temporary Service Connection” is one which is installed for the temporary use of water, including service to individual mobile homes. Provided: They are located on lots having a curb line abutting on that part of a street or public highway in which there is, or is to be, located a distribution main of the Company extending for at least one-half of the frontage of the lot on said street or highway.

1.20 “Rate” means the Company’s Schedules of Rates and Tariffs then in effect.

1.21 “Rules” or “Rule” means these Company Rules and Regulations applicable to water service.

2. SERVICE & APPLICATIONS

2.1 Rules and Regulations Governing Rendering of Service

(a) The Rules and Regulations in their entirety as hereinafter set forth or as they may hereafter be altered or amended in a regular and legal manner shall govern the rendering of water service and every Customer will be bound thereby. The Rules and Regulations and Service Classifications contained in this tariff apply in the service territory of Kentucky-American Water Company.

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Nick O. Rowe
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2300 Richmond Road, Lexington, KY 40502

(b) Except fire and some special connection services, all service will be rendered on a Meter basis. Residential, commercial, industrial and OPA service are only regularly available for single Premises as "Premises" is defined in these Rules.

2.2 Requests for Water Service

(a) All persons, entities, firms, corporations or OPA's desiring water service, must request service from the Company in a manner prescribed by the Company, setting forth all purposes for which water will be used at the Premises for which service is requested. All information provided by the Customer must be true, accurate and kept up to date.

(b) Any change in the identity of the Customer at a Premises will require a new request for water service and the Company may, after reasonable notice, discontinue the water supply until such new request has been made and accepted.

(c) A Customer who has requested service and been accepted by the Company, shall be held liable for all water service furnished to the Premises until such time as the Customer properly notifies the Company to discontinue the service for his/her account at the Premises.

(d) An activation fee will be charged in accordance with the Company's Tariff.

(e) No Customer receiving water service from the Company will be permitted to use water for any other purpose than that for which they shall have requested and the Company shall have approved.

(f) The Company may refuse service to a Customer with an outstanding, unpaid balance due until the Customer pays the balance due.

2.3 Special Arrangements for Water Service

(a) Water for building or construction purposes must be specially applied for.

(b) Connections for private fire service and private fire hydrant service must be specially applied for.

(c) Water for transient or temporary purposes must be specially applied for.

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Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

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Nick O. Rowe
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2300 Richmond Road, Lexington, KY 40502

3. BILLING, ABATEMENTS & REFUNDS

3.1 Abatements and Refunds

Abatement shall be made for leaks in service pipes or fixtures belonging to the Customer in accordance to Tariff.

3.2 Meter Bill Adjustment

(a) Whenever a Meter in service is found upon periodic request or complaint test to be more than two percent (2%) fast, additional tests shall be made at once to determine the average error of the Meter. Said tests shall be made in accordance with the Commission's regulation applicable to the type of Meter involved. Meter testing shall be conducted in accordance with the then-applicable Rules.

(b) Determination of Meter Error for Bill Adjustment Purposes. When upon periodic request or complaint test, a Meter is found to be in error in excess of the limits allowed by the Commission's regulations, three additional tests shall be made; one at 75% of rated maximum capacity; one at 50% of rated maximum capacity; one at 25% of rated maximum capacity. The average Meter error shall be the algebraic average of the errors of the three tests.

(c) If the result of tests on a Customer's Meter shows an average error greater than two percent (2%) fast, then the Customer's bill, for the period during which the Meter error is known to have existed, shall be recomputed and the account adjusted on the basis of the test. If the period during which the error existed cannot be determined with reasonable precision, the time period shall be estimated using the data as elapsed time since the last meter test, if applicable, and historical usage data for the customer. If that data is not available, the average usage of a similar class of customers shall be used for comparison purposes in calculating the time period. (See exception in Section (f) of this Rule).

(d) If the result of tests on a Customer's Meter shows an average error greater than two percent (2%) slow, then the Customer's bill for the period during which the Meter error is known to have existed, may be recomputed and the account adjusted on the basis of the test. If the period during which the error existed cannot be determined with reasonable precision, the time period shall be estimated using the data as elapsed time since the last meter test, if applicable, and historical usage data for the customer. If that data is not available, the average usage of a similar class of customers shall be used for comparison purposes in calculating the time period. The Company will limit the period of recovery for under-billing to only the most recent twelve (12) months of under-billing, even

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

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(d) If the result of tests on a Customer's Meter shows an average error greater than two percent (2%) slow, then the Customer's bill for the period during which the Meter error is known to have existed, may be recomputed and the account adjusted on the basis of the test. If the period during which the error existed cannot be determined with reasonable precision, the time period shall be estimated using the data as elapsed time since the last meter test, if applicable, and historical usage data for the customer. If that data is not available, the average usage of a similar class of customers shall be used for comparison purposes in calculating the time period. The Company will limit the period of

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

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if the under-billing occurred for a longer period.

(e) It shall be understood that when a Meter is found to have an error in excess of two percent (2%) fast or slow the figure for calculating the amount of refund or the amount to be collected by the Company shall be that percentage of error as determined by the test; i.e., it is the duty of the Company to maintain the accuracy of its measuring device as nearly one hundred percent (100%) as is commercially practicable. Therefore, percent error shall be that difference between one hundred percent (100%) and that amount of error as indicated by the test.

(f) The burden of maintaining measuring equipment so that it will register accurately is upon the Company; therefore, if Meters are found upon test to register fast and if time for periodic test has overrun to the extent that one-half (1/2) of the time elapsed since the last previous test exceeds twelve (12) months, the refund shall be as specified in Section C of this Rule and in addition thereto, a like refund for those months exceeding the periodic test period; provided, however, that the Commission may relieve the utility from this requirement in any particular case in which it is shown that the failure to make the periodic test was due to causes beyond the utility's control.

3.3 Terms and Conditions of Billing and Payment

(a) All fire service charges shall be payable monthly in arrears.

(b) Bills for water service by Meter will be rendered monthly with ending dates as may be determined by the Company.

(c) Bills for private fire hydrants shall be payable quarterly in advance, except that the charges for private fire hydrant service shall be payable as set forth in Rule 11.

(d) Special charges shall be payable upon demand.

(e) All bills for water and service are due and payable when rendered and are considered delinquent if not paid in accordance with Tariff and Commission regulations. Failure to pay will render the Customer subject to disconnection and subject to payment of reconnection in Tariff. If any bill for water service is not paid in accordance with Tariff, the service may be discontinued in accordance with Rule 4, Disconnecting & Reconnecting Service.

(f) Customers are responsible for furnishing the Company with their correct billing addresses (email or postal address). Failure to receive bills will not be considered an

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recovery for under-billing to only the most recent twelve (12) months of under-billing, even if the under-billing occurred for a longer period.

(e) It shall be understood that when a Meter is found to have an error in excess of two percent (2%) fast or slow the figure for calculating the amount of refund or the amount to be collected by the Company shall be that percentage of error as determined by the test; i.e., it is the duty of the Company to maintain the accuracy of its measuring device as nearly one hundred percent (100%) as is commercially practicable. Therefore, percent error shall be that difference between one hundred percent (100%) and that amount of error as indicated by the test.

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excuse for non-payment nor permit an extension of the date when the account would be considered delinquent.

(g) All bills will be sent to the billing address (email or postal address) provided when requesting water service unless the Company is notified in writing by the Customer of any change of billing address.

(h) The Company will not be bound by bills rendered under mistake of fact as to the quantity of service rendered.

(i) The use of water by the same Customer in different Premises or localities will not be combined.

(j) If for any reason service is discontinued before the expiration of twenty-five (25) days from commencement of service, a bill for a prorated portion of the minimum service charge for the month will be rendered.

(k) Residential Customers may elect to participate in a monthly budget billing payment plan. Under such a plan, Customers shall pay a fixed monthly amount determined by the Company based on historical or estimated usage. A Customer may enroll in such a plan at any time by contacting the Company. The Company will issue bills so as to bring each customer's account current once each 12-month period or through a series of levelized adjustments on a monthly basis if usage indicates that the account will not be current upon payment of the last monthly budget amount. If a Customer fails to pay bills as required under the plan, the Company reserves the right to remove the Customer from the plan, restore the customer to regular billing, and require immediate payment of any deficiency.

4. DISCONNECTING AND RECONNECTING SERVICE

4.1 Discontinuance of Water Service

(a) Water service will be discontinued to any Premises on account of temporary vacancy upon request of the Customer, without in any way affecting the agreement in force, and upon payment of all charges due as provided for in the Rates and Rules of the Company.

(b) The Company shall discontinue the Customer's service for violation of any Rule or for non-payment of bills upon providing the Customer with at least ten (10) days written notice delivered by mail or personally delivered to him/her or a member of his/her household, advising the Customer of what Rule had been violated and for which service will be

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

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discontinued if violation continues. However, discontinuance of service shall be effected no less than twenty (20) days after the mailing date of the original bill unless, prior to discontinuance, a residential customer presents to the Company a written certificate, signed by a physician, registered nurse or public health officer, that such discontinuance will aggravate an existing illness or infirmity on the affected premises In that case, discontinuance may not be effected for thirty (30) days beyond the termination date as calculated a Where fraudulent use of water is detected, or where the Company's regulating or measuring equipment has been tampered with, or where a dangerous condition is found to exist on the Customer's Premises, service may be shut off without advance notice. Subject to the foregoing provisions, service rendered under any application, contract or agreement may be discontinued by the Company for any of the following reasons:

i. For willful or indifferent waste of water due to any cause which adversely affects either water service to other Customers or the Company's utility operation.

ii. For failure to protect from injury or damage the Meter and connections, or for failure to protect and maintain the service pipe or fixtures on the property of the Customer, in a condition satisfactory to the Company.

iii. For interfering or tampering by the Customer, or others with the knowledge of the Customer, with any Meter, connection, service pipe, curb stop, seal or any other appliance of the Company controlling or regulating the Customer's water supply.

iv. For failure to provide the Company's employees free and reasonable access to the Premises or for obstructing the way of ingress to the Meter or other appliance of the Company controlling or regulating the Customer's water supply (with at least fifteen (15) days advance written notice).

v. For non-payment of any account for water supplied, for water service, or for Meter or service maintenance, or for any other fee or charge at the Premise accruing under these Rates and Rules. Discontinuation of service for non-payment on an account shall only be made at the Premise associated with that Account and will not occur for other accounts held by the same Customer that are current in payments unless the Customer has requested multiple accounts or premises be combined for billing purposes.

vi. In case of vacancy of the premises.

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vii. For violation of any other Rule or Regulation of the Company or State and Municipal Rules and Regulations applying to the Company's water service.

(c) In cases where plumbing has been installed prior to adoption of and not in accordance with these Rules, and where water is being taken through a single service pipe to supply two or more Premises, the party making application shall be responsible for all water bills and other legitimate charges. Any violation of the Company Rules with reference to either or any of the said Premises or for the supply of water thereto, shall be deemed a violation as to all, and the Company may enforce compliance with these Rules by shutting off the entire service except that such action will not be taken until the innocent Customer who is not in violation of the Company's Rules, has been given a reasonable notice and opportunity to attach his pipes to a separately controlled curb stop, to be provided by and at the expense of the

Company.

(d) Discontinuing the supply of water to a Premises for any such reason shall not prevent the

Company from pursuing any lawful remedy by action at law or otherwise for the collection of moneys due from the Customer.

4.2 Renewal of Water Service After Discontinuance

(a) When water service to a Premises has been terminated for any reason other than temporary vacancy, it will be renewed only after the conditions, circumstances or practices which caused the water service to be discontinued are corrected to the satisfaction of the Company, and upon payment of all charges due and payable by the Customer in accordance with the Rates and Rules.

(b) No Customer whose service has been turned off shall turn on same, or have same done by anyone other than the Company.

4.3 Reconnection Charge

When it has been necessary to discontinue water service to any Premises because of a violation of the Rules or on account of non-payment of any bill, a charge will be made to cover the expense as set forth in the Company's Schedule of Rates and Charges. This charge, together with any arrears that may be due the Company for charges against the Customer, must be paid before the water will be reconnected.

5. COMPLAINTS

5.1 Customer Complaints

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Any complaint against the service or employees of the Company may be made at the office of the Company or by telephone, mail or email. The Company will handle all Complaints in accordance with regulatory requirements.

6. METERS, TESTING AND ACCURACY

6.1 Meters

(a) Water will be sold by Meter measurement only.

(b) All Meters, except detector devices and/or fire service line Meters, will be installed, maintained and replaced by; and at the expense of the Company, but in case of damage to such Meters by reason of any act, neglect or omission on the part of the Customer (such as damages occasioned by accident or misuse or purposeful actions) the Customer shall pay to the Company the cost of its repair on presentation of bill therefore.

(c) The Company reserves the right to determine the kind and size of Meter that shall be placed on any service pipe, and such Meters will be furnished, installed and removed by the Company alone, and shall remain its property.

(d) Each Premise shall be supplied through an independent Meter setting.

(e) If more than one Meter setting is installed upon a Customer's Premise, the usage of all Meters on a Premise may be combined for billing purposes if so requested by the Customer. Combined billing will be continued as long as the Premises criteria is met.

(f) All Meters are accurately tested before installation and are also periodically tested in accordance with the Public Service Commission's regulations. The Company may at any time remove any Meter for periodic tests or for repairs or replacement and may, at its option and expense, test any Meter when the Company has reason to believe that it is registering inaccurately.

(g) The Company shall make any test of any Meter upon written request of the Customer if the request is not made more frequently than once each twelve (12) months. The Customer shall be given the opportunity to be present at the requested test. The Customer may be billed the actual cost of making the test, but should the said Meter be found, upon said test, to be more than two percent incorrect to the prejudice of the Customer, the fee so charged shall be returned to the Customer.

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(h) The Company reserves the right to put seals on any water Meter, or on couplings in and for any premises, and may shut off the supply if such seals are found broken or removed.

(i) Once any Meter has been placed, any change in location requested by the Customer will be done by the Company, at the expense of the Customer, if the location is acceptable pursuant to 6.1(k).

(j) Monitoring of Customer usage shall be in compliance with the then-applicable Rules and Regulations. The Company monitors Customer usage on a monthly basis through its collection of usage information. Upon the collection of that information, the Company compares usage for a particular month with a Customer's historical usage. To the extent the current month's usage shows an unusual deviation from historical usage, the Company will notify the Customer and take steps to determine the reason for the unusual deviation.

(k) Meters may be located either in an outdoor Meter box or vault, at the option of the Company. The location of the Meter must be acceptable to the Company and allow for the Meter to be easily examined, tested, repaired, read, removed or replaced. The Meter box or vault shall be located in a convenient and readily accessible location acceptable to the Company. The Meter box or vault must be constructed to protect the Meter from freezing and damage by vehicular traffic, and its location and design shall prevent, as far as possible, the inflow of surface water. After a Meter is installed by the Company, a Customer shall not tamper with, alter, repair or remove the Meter or allow anyone other than the Company to do so. Any plumbing, piping, grading or structural modification which could result in the relocation of the Meter or impact accessibility must first be approved by the Company.

6.2 Accuracy Requirements of Water Meters

(a) General. All meters used for measuring the quantity of water delivered to a customer shall be in good mechanical condition and shall be adequate in size and design for the type of service which they measure.

(b) Determination of Accuracy. No new, rebuilt or repaired meter shall be placed in service if it registers outside the parameters established in the then-applicable Rules and Regulations.

(c) As Found Tests. All meters tested in accordance with the rules for periodic, request or complaint tests, shall be tested in the condition as found in the Customer's service prior to any alteration or adjustment in order to determine the average meter error.

7. PROTECTION OF PUBLIC WATER SYSTEM

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7.1 Intercepting and Storage Tanks

(a) Customer Service Lines shall not be connected to the suction side of pumps, unless approved by the Company. Customers who require a large quantity of water within a short period of time must have intercepting or intermediate storage tanks, pump discharge control valves, or other controls approved by the Company.

(b) The inlet connection for the tanks attached directly or indirectly to the Customer Service Line shall discharge at a point no less than two (2) times the diameter of the inlet pipe above the overflow of such tanks and must be approved by the Company.

7.2 Check Valves, Flush Valves and Vacuum Breakers

(a) Customers having boilers or hot water heating systems connected with mains of the Company must have a check valve in the supply pipe to the boilers and hot water heating systems, together with a relief valve at some point between the check valve and heating system. A vacuum valve should be installed, in accordance to applicable plumbing requirements, in the steam line to prevent collapse in case the water supply is interrupted. The Company, however, will not be responsible for accidents or damages resulting from the imperfect action or failure of said valves.

(b) Flush valve or direct flushing closets should not be installed in Premises where the service pipe supplying such Premises is connected to a main two inches or less in diameter. All flush valves shall be equipped with approved type vacuum breakers.

7.3 Plumbing Work Must Be Approved by Company

All plumbing work done in connection with pipe and fixtures connected with the Company's mains shall be submitted for the approval of the Company before such work is covered up. Whenever the Company determines that plumbing work is defective, the Company may require it be corrected before the water will be turned on.

7.4 Cross-Connections

(a) No cross-connection will be permitted unless an acceptable form of protection against contamination by backflow into the water distribution system is provided by a testable backflow prevention assembly. Acceptable forms of protection must comply with all applicable state and local requirements and approved by the Company. The required protective device or system shall be provided, installed and maintained by the Customer in good working condition, at the Customer's expense, and shall be subject to testing and approval of the Company before being

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(b) Any cross-connection existing which is in violation of these Rules shall be immediately removed or corrected. Failure of the Customer to do so may result in immediate termination of water service in accordance with Rule 4.

8. RIGHTS AND RESPONSIBILITIES

8.1 Customers Requiring Uninterrupted Supply

(a) The Company will endeavor to give reasonable service but does not guarantee a sufficient or consistent pressure or an absolutely uninterrupted supply of water, and Customers are cautioned to provide sufficient storage of water where an absolutely uninterrupted supply must be assured, such as for steam boilers, domestic hot water systems, gas engines, etc.

(b) Fixtures or devices taking a supply of water directly from the service pipes, depending upon the hydraulic pressure of the pipe system of the Company for supplying same under working pressure, will do so at the risk of the parties making such attachments, as the Company will not be responsible for any accidents or damages to which such fixtures or devices are subject.

8.2 Interruptions in Water Supply

(a) The Company reserves the right at any time to shut off the water in the Mains without notice in case of accident or emergency, or for the purpose of making connections, extensions, improvements, alterations, repairs, changes, or for other proper business reasons, and may restrict the use of water to reserve a sufficient supply in its reservoirs for fire protection or other emergencies whenever the public welfare may so require in accordance with Commission Rules. Notwithstanding any other provision in these Rules or any contract or agreement between the Company and any Customer, when, in the judgment of the Company, sufficient supplies of water are not available to the Company, for any reason, to meet all existing and reasonably anticipated demands for service or to preserve and replenish its storage in amounts sufficient to provide fire protection on its system, the Company shall have the right to restrict, limit, curtail or interrupt water service to or water usage by any Customer or Customers.

(b) The temporary shutting off of water from any Premises for any cause, whether non-payment of bills, leaking pipes, fixtures, etc. shall not cancel a contract for water supply service except at the option of the Company or upon notice from the Customer.

8.3 Liability of Company

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8.2 Interruptions in Water Supply

(a) The Company reserves the right at any time to shut off the water in the Mains without notice in case of accident or emergency, or for the purpose of making connections, extensions, improvements, alterations, repairs, changes, or for other proper business reasons, and may restrict the use of water to reserve a sufficient supply in its reservoirs for fire protection or other emergencies whenever the public welfare may so require in accordance with Commission Rules. Notwithstanding any other provision in these Rules or any contract or agreement between the Company and any Customer, when, in the judgment of the Company, sufficient supplies of water are not available to the Company, for any reason, to meet all existing and reasonably anticipated demands for service or to preserve and replenish its storage in amounts sufficient to provide fire protection on its system, the Company shall have the right to restrict, limit, curtail or interrupt water service to or water usage by any Customer or Customers.

(b) The temporary shutting off of water from any Premises for any cause, whether non-payment of bills, leaking pipes, fixtures, etc. shall not cancel a contract for water supply service except at the option of the Company or upon notice from the Customer.

8.3 Liability of Company

ISSUED: **November 28, 2018**
EFFECTIVE: **December 28, 2018**

Approved:

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

(a) The Company shall not in any way or under any circumstances be held liable or responsible to any person or persons for any loss or damage from any excess or deficiency in the pressure, volume, or supply of water, due to any cause whatsoever. The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the service, but it cannot and does not guarantee that such will not occur.

(b) The Company will make every effort to maintain a pressure on the distribution system that is required for reasonable service and is compliant with federal and state requirements, but it does not guarantee to furnish at all times any given quantity for fire uses or for general purposes.

(c) The Company shall not be responsible for accidents or damages to boilers, hot water tanks, etc., resulting from the discontinuance of service, nor by reason of the breaking of any main, water pipe, fixture or appliance whether owned by the company or Customer, and no person shall be entitled to damages nor have any portion of a payment refunded for any interruption of service. The Company will exercise every care in this matter, and in the event of the necessity of turning off water, every reasonable effort will be made to notify the Customer.

(d) The Company shall not be considered in any manner an insurer of property or persons, or to have undertaken to extinguish fire or to protect any persons or property against loss or damage by fire, or otherwise. The Company agrees to furnish such supply of water as shall then be available and not other or greater, and it shall be free and exempt from any and all claims for damages on account of any injury to property or persons by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever.

8.4 Meters

No person shall turn the water on or off at any street valve, Company stop, curb stop or other street connection, or at meter setting or meter vault, or disconnect, remove or bypass any meter without the consent of the Company. The Company has the right to prosecute for any damage resulting from any unauthorized tampering with Company property.

8.4 Electrical Ground

No electric wires shall be grounded on the mains of the Company or on any Company Service Lines or pipes or fixtures of any kind which have a metallic connection with the mains of the Company. The Company has the right to prosecute for any damage resulting violation of this Rule.

8.5 Limitations on Resale of Water

Water furnished to any customer, except for a customer classified as a “Sales for Resale” customer, is for

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Gwen R. Pinson
Executive Director
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EFFECTIVE
9/10/2018
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(a) The Company shall not in any way or under any circumstances be held liable or responsible to any person or persons for any loss or damage from any excess or deficiency in the pressure, volume, or supply of water, due to any cause whatsoever. The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the service, but it cannot and does not guarantee that such will not occur.

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the customer's use only and such water shall not be resold by the customer to any other person, firm, or corporation on the customer's premises or for use on any other premise. This restriction, however, does not preclude a customer from allocating the Company's billing to the customer to any other person, firm, or corporation provided the sum of such allocations does not exceed the Company's billing.

9. CUSTOMER AND COMPANY SERVICE LINES

9.1 Company Service Lines

(a) Subject to Rule 10 on Main extensions and subject to the terms of any applicable Main extension agreement, the Company will install a Company Service Line provided that it is required for the immediate and continuous supply of water in order to furnish general water service, and that the Premise to be served abuts a street, highway or right-of-way in which a Main is located.

(b) The Customer shall install the Customer Service Line to a point approved by an authorized employee of the Company, after which the Company will have the Company Service Line installed from the Main to the Customer Service Line upon payment by the Customer of the tap fee. Where the Company Service Line is already installed, the Customer Service Line shall be connected to the Company Service Line at a point approved by an authorized employee of the Company.

(c) The Company Service Line shall be sized, furnished, installed, owned and maintained only by the Company and shall remain under its sole control. Only the Company may make connections to its Mains. Nothing may be attached to the Company Service Line except a Customer Service Line. The connection to the Company Service Line must be made by an authorized employee or agent of the Company, or a licensed plumber.

9.2 Customer Service Lines

(a) The Company will specify the location of the connection to the Customer Service Line. The Customer Service Line shall be installed, maintained, and/or owned by the Customer, at the Customer's expense and risk. The Customer Service Lines shall be installed in accordance with applicable plumbing requirements.

(b) Each Premise shall be served by no more than one Customer Service Line unless otherwise approved by the Company. Customer Service Lines supplying the Premises shall not pass through or across any other Premises. No water pipes or plumbing in any Premises shall be extended from there to any other Premises.

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Nick O. Rowe
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When a Customer Service Line is relocated at the Customer's request, or when no associated relocation of the Company's Service Lines or other infrastructure is occurring, the Customer shall be responsible for the cost of such relocation. In instances where a Customer Service Line is required to be relocated due to roadway construction or other causes not within Company control, and the Company's Service Lines or other infrastructure is also being relocated, the Customer shall not be responsible for the cost of such relocation unless the Customer requests a specific location different than that specified by the Company.

A Customer's Service Line which is irregularly located because there was no Main abutting the Premises at the time such Customer Service Line was installed shall, at the Customer's expense, be relocated and connected to a new Company Service Line on the Main abutting the Premises when it becomes necessary for such Customer Service Line to be repaired or replaced.

(c) A Customer, occupant, owner, or any agent thereof is not authorized to attach the Customer Service Line to Company property or shut the water line on or off. If a Customer, occupant, owner, or any agent thereof does so, and in making an attachment or in shutting off or turning on water does not properly replace the curb box cap or Meter lid, or damages the curb stop, curb box, copper setter, or other property of the Company, repairs shall be made only by the Company, but at the Customer's expense. If a Customer, occupant, owner, or any agent thereof takes any unauthorized action described therein, the Company shall not be liable for any personal and property damage caused to Customer's property.

(d) The Customer Service Line and all connections and fixtures attached thereto shall be subject to the approval of the Company before water will be turned on. All Premises receiving a supply of water and all Company Service Lines and Meters and appurtenances, including any and all fixtures within the Premises, shall at all reasonable hours be subject to inspection by any duly authorized employee or agent of the Company.

(e) Only an authorized agent of the Company may turn water on and off in the meter box. In case of emergencies, licensed plumbers may turn water on and off if a shut off valve is not available in the Premise and must notify Company within 24 hours of doing so.

10. WATER MAIN EXTENSIONS

10.1 General Main Extensions Rules

(a) In estimating the cost of an extension, the estimate shall be based on the diameter of the pipe to be used, provided, however, the estimated cost to the Customer or Customers shall not be based on a pipe diameter in excess of eight (8) inches, unless actual consumption estimated for the proposed

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Customer or Customers requires a larger pipe.

(b) No interest will be paid by the Company on the Applicant's payment or on any balances not refunded. At the expiration of said ten-year period, the refund account will be closed, and no further refunds will be made.

(c) Extensions made under this Rule shall be and remain the property of the Company.

(d) The Company reserves the right to further extend its water mains from and beyond the end of each Water Main Extension made under this Rule. The Applicant or the Applicant's agent paying for an extension shall not be entitled to any refund for the connecting of Customers to any further extension of mains installed.

(e) In determining the length of main extensions to be installed, the main shall be extended to fully cover the frontage of the property, and if the last lot to be served is a corner lot or a lot immediately adjacent to a corner lot, the terminal point of the extension made hereunder shall be located so that the main laid hereunder ties in with the existing main located in the intersecting street; and further provided that if there is no main located in the intersecting street, the terminal point of the extension made hereunder shall be located at the nearest street line of the intersecting street or to the edge of subdivision property, including common area.

10.2 Main Extensions for Other than in New Subdivisions

(a) For Free Extensions, the Company will, upon written request for Residential service by a prospective Residential Customer or a group of prospective Customers located in the same

neighborhood, make free of charge an extension necessary to give service, when the estimated total revenue, for a period of three (3) years from the prospective Customer or Customers is approximately equal to the cost of the extension; provided that the prospects are that the patronage or demand will be of such permanency as to warrant the capital expenditure involved.

(b) For Extension Above Limit, if the extension required in order to furnish general water service at any point within the corporate limits of the municipality or for any adjacent suburb of the municipality is greater than the cost of the free extension specified herein, such an extension will be made under the following conditions: the Company shall require a deposit of the cost of the extension above the free limit and will, in such case, for each additional Customer directly connected to the extension between its original beginning and original end within a period of ten (10) years from the making of such extension, refund an amount equal to three times the estimated annual revenue of the new Customer, but at no time shall the aggregate refund made to any Customer exceed the original deposit of such Customer.

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(c) The free extension or refund amount shall not be reduced below that applicable to fifty (50) feet of main per Customer. A prospective Customer is one who will connect to such main extension within the refund period after the date the water is turned on in the main; provided further, that there is delivered to the Company a written guarantee by a financially responsible person or firm that such prospective Customer will take water service within the aforementioned refund period.

10.3 Main Extensions for New Subdivision

(a) Definitions

i. The term "new subdivision" as used herein shall mean any new subdivision of residential and/or commercial lots for which a preliminary or final plat has been approved by the local planning and zoning authority, and in which the owner thereof has the right, under the rules of said Authority, to construct streets, sidewalks, curbs and other improvements.

ii. The term "lot" as used herein shall mean any plot of ground laid out for building purposes, the front footage of which does not exceed one hundred feet. Should the frontage of any plot exceed one hundred feet, it shall, for the purposes of this Rule be considered as a single lot, if the average footage of all lots in the subdivision does not exceed one hundred feet. If the average frontage of all lots in the subdivision does exceed one hundred feet, the total number of lots in the subdivision shall be determined by dividing the total frontage of all the lots in the subdivision by one hundred feet.

iii. The term "on site facilities" as used herein shall include only those water mains and related facilities, if any, to be installed by Company and located within the boundaries of the new subdivision or part thereof as said boundaries are depicted on the preliminary (or final, if applicable) plat of such subdivision or part thereof approved by the local planning and zoning authority.

iv. The term "off-site facilities" as used herein shall include all water mains and related facilities, if any, to be installed by Company and located outside of the boundaries of said new subdivision as said boundaries are depicted on the preliminary (or final, if applicable) plat of said subdivision as approved by the local planning and zoning authority, in order to deliver an adequate supply of water from existing mains of Company to such new subdivision.

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v. The term "current estimated cost" as used herein shall mean that sum determined by Company as the estimated cost of installing one foot of water main, together with that sum determined by Company as the estimated cost of installing each type of appurtenant related facility. During the first quarter of each year, Company will determine from its records its actual average cost per foot, during the preceding calendar year, of construction and installation of all sizes and grades of water mains for which the construction projects have been completed during such calendar year, together with its average cost during such calendar year of installing each type and size of related facility for which construction has been completed during such year. Such average cost per foot and such average cost per appurtenant facility shall be deemed to be the "current estimated cost" for such mains and facilities during the twelve month period immediately following such determinations, it being contemplated that the current estimated cost will be revised annually in order to keep same as current as practicable.

(b) Before water lines will be laid hereunder in any new subdivision, it is understood and agreed that the road surface shall be brought to the established sub-grade; and the developer or builder of such new subdivision shall furnish the Company with a right-of-way agreement suitable in form to the Company, unless the streets of the new subdivision have been dedicated to the public use.

(c) When an extension of Company's water distribution system into any new subdivision or part thereof as defined herein is requested by the owner of such subdivision, such extension will be made under the terms of a "New Subdivision Extension Deposit Agreement for Off Site Facilities" as hereinafter set forth in the Appendix, and/or a "New Subdivision Extension Deposit

Agreement for On Site Facilities" as hereinafter set forth in the Appendix, which Agreements shall be entered into upon the following basis:

i. Company shall have the exclusive right to determine the type, location and size of mains to be installed and of the related facilities required to render adequate service.

ii. The owner of the new subdivision may elect to develop it in sections or units and to have main extensions made into such sections or units from time to time as the same are ready for development and may elect further to have the entire subdivision considered as a whole for the purpose of making deposits and receiving refunds for off-site facilities under Company Rule No. 10. In such event, owners shall furnish Company with preliminary or final plats of the unit or units thereof to be initially developed, such plats to be

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approved as hereinafter provided, such plats to be so furnished prior to the making of any extensions into said new Subdivision. As subsequent units of said subdivision are thereafter developed, preliminary or final plats so approved thereof shall be furnished to Company as hereinafter provided. Upon delivery to Company by the owner of such subdivision of four (4) copies of a preliminary or final plat of the subdivision or units thereof, duly approved by the Local planning and zoning authority, which plats shall depict the location and grade of all streets, sidewalks, building plots, building lines and utility easements contained therein, together with evidence of the owner's authority to construct streets, sidewalks, curbs and other improvements therein, Company shall prepare appropriate plans and specifications for the installation of necessary mains and related facilities to render adequate service therein, including where applicable, such off site facilities as deemed necessary and upon delivery to Company by the owner of such subdivision, any other information requested by the Company.

iii. Separate Extension Deposit Agreements, in the form provided in the Appendix, shall be entered into by the owner of the subdivision and Company for off-site facilities and for each separate unit in which on site facilities are requested, provided, moreover, that the ten (10) year refund period applicable in such agreements shall apply separately to each such transaction.

iv. When plans and specifications for installation of such mains and related facilities are completed, Company shall determine the presumed cost of

construction and installation of such mains and related facilities which presumed cost shall be the aggregate of (1) the total number of feet of each size and grade of main required in such construction multiplied, respectively by Company's current estimated cost for each such size and grade of main, and (2) the total cost of installation of all related facilities required in such construction as determined by Company's current estimated cost for each of such facilities. In absence of actual cost data upon which to prepare a current estimated cost for any particular required related facility or size and grade of main, the presumed cost thereto shall be the best estimate of Company with respect to the cost of such mains or related facilities based on available information with respect to same. In making such determinations of presumed cost of construction, Company shall separately compute the cost of installation and construction of on-site mains and facilities required and the cost of off-site mains and facilities required.

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KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

approved as hereinafter provided, such plats to be so furnished prior to the making of any extensions into said new Subdivision. As subsequent units of said subdivision are thereafter developed, preliminary or final plats so approved thereof shall be furnished to Company as hereinafter provided. Upon delivery to Company by the owner of such subdivision of four (4) copies of a preliminary or final plat of the subdivision or units thereof, duly approved by the Local planning and zoning authority, which plats shall depict the location and grade of all streets, sidewalks, building plots, building lines a utility easements contained therein, together with evidence of the owner's authority to construct streets, sidewalks, curbs and other improvements therei Company shall prepare appropriate plans and specifications for the installatio of necessary mains and related facilities to render adequate service therein, including where applicable, such off site facilities as deemed necessary and upon delivery to Company by the owner of such subdivision, any other information requested by the Company.

iii. Separate Extension Deposit Agreements, in the form provided in the Appendix, shall be entered into by the owner of the subdivision and Company for off-site facilities and for each separate unit in which on site facilities are requested, provided, moreover, that the ten (10) year refund period applicable in such agreements shall apply separately to each such transaction.

iv. When plans and specifications for installation of such mains and related facilities are completed, Company shall determine the presumed cost of construction and installation of such mains and related facilities which presumed cost shall be the aggregate of (1) the total number of feet of each size and grade of main required in such construction multiplied, respectively by Company's current estimated cost for each such size and grade of main, and (2) the total cost of installation of all related facilities required in such construction as determined by Company's current estimated cost for each of such facilities. In absence of actual cost data upon which to prepare a current estimated cost for any particular required related facility or size and grade of main, the presumed cost thereto shall be the best estimate of Company with respect to the cost of such mains or related facilities based on available information with respect to same. In making such determinations of presumed cost of construction, Company shall separately compute the cost of installation and construction of on-site mains and facilities required and the cost of off-site mains and facilities required.

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

v. When such determination of presumed cost of on-site mains and facilities and presumed cost of off-site mains and facilities required has been completed, the sums to be deposited by the owner of such subdivision with Company under the terms of the "New Subdivision Extension Deposit Agreement for On Site Facilities" and the "New Subdivision Extension Deposit Agreement for Off Site Facilities" if applicable, shall be determined by Company and shall be (1) the total presumed cost of all on site mains and related facilities of the new subdivision or any part thereof to be constructed as determined as herein provided, and (2) (a) the presumed cost of ten (10) feet of off-site mains and facilities multiplied by the total number of building plots shown on and included within the whole of said new subdivision or (2) (b) the presumed cost of all required off site facilities, whichever be the smaller sum. The presumed cost per foot of off-site mains and facilities as used in this computation shall be determined by dividing the total presumed cost of all off site mains and related facilities by the total footage of such off site mains. In the event it is necessary to construct off site mains for a distance in feet greater than ten (10) times the number of building plots included within the whole of said subdivision as depicted on the initial submitted plat thereof, such excess off site extension will not be made under the "New Subdivision Extension Deposit Agreement for Off Site Facilities", but shall be made under an Extension Deposit Agreement as provided in the Appendix of these Rules.

vi. For each Premises served for which a street service connection shall be directly attached to such main extension between its original beginning or

original terminus, excluding connections to further extensions or branches thereof, and crediting no more than one such service connection per building plot, Company shall refund to the owner of such subdivision under terms and provisions of New Subdivision Extension Deposit Agreements separately executed each for on-site and off-site improvements, amounts determined as follows:

a. For on-site facilities, the quotient obtained by dividing the total presumed cost of all on site mains and related facilities, determined as provided in Section (c) vi above for that part of the new subdivision then to be developed, by the total number of lots, determined as provided in Section (a) ii herein, which will be served by the on-site facilities then to be developed and as shown

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Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

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v. When such determination of presumed cost of on-site mains and facilities and presumed cost of off-site mains and facilities required has been completed, the sums to be deposited by the owner of such subdivision with Company under the terms of the "New Subdivision Extension Deposit Agreement for On Site Facilities" and the "New Subdivision Extension Deposit Agreement for Off Site Facilities" if applicable, shall be determined by Company and shall be (1) the total presumed cost of all on site mains and related facilities of the new subdivision or any part thereof to be constructed as determined as herein provided, and (2) (a) the presumed cost o ten (10) feet of off-site mains and facilities multiplied by the total number of building plots shown on and included within the whole of said new subdivisic or (2) (b) the presumed cost of all required off site facilities, whichever be the smaller sum. The presumed cost per foot of off-site mains and facilities as used in this computation shall be determined by dividing the total presumed cost of all off site mains and related facilities by the total footage of such off site mains. In the event it is necessary to construct off site mains for a distanc in feet greater than ten (10) times the number of building plots included withi the whole of said subdivision as depicted on the initial submitted plat thereof, such excess off site extension will not be made under the "New Subdivision Extension Deposit Agreement for Off Site Facilities", but shall be made unde an Extension Deposit Agreement as provided in the Appendix of these Rules.

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

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on the preliminary or final plat of the part of the subdivision to be developed.

b. For off-site facilities, the quotient obtained by dividing the deposit for off-site facilities, determined as provided in Section (c) iv above, by the total number of building plots shown on and included within the whole of said subdivision and shown on the preliminary or final plat of the whole subdivision delivered to Company as provided in Section (c) ii above.

vii. The owner of such subdivision, in consideration of an accelerated development of said subdivision to be obtained through Company's proceeding, on the basis of a preliminary plat, with its plans and specifications, and, at Company's option, with construction of its mains and facilities, shall, as a part of the New Subdivision Extension Deposit Agreements for both Off Site and On Site Facilities, warrant to Company that the location and grade of streets, curbs, sidewalks, building plots, building lines and utility easements as depicted on said preliminary plat will not be altered or changed in any respect in the final plat of said subdivision or part thereof, as finally approved by the local planning and zoning authority and recorded in the Office of the County Clerk. In the event the location or grade of streets, sidewalks, curbs, building plots, building lines or utility easements be altered, amended or changed in the final plat or in an amended plat of said subdivision or part thereof as approved by said Authority or as recorded in the office of said Clerk, whether such changes are made with or without the consent of said subdivider, and in the event such alteration,

amendment or change requires, in the sole judgment of Company, the relocation, removal, replacement, reconstruction, change in site or additions to the mains and related facilities, the subdivider shall indemnify and hold harmless Company of and from any and all damages and costs of such removal, replacement, relocation, reconstruction and any all other expenses or costs relating to Company because of the change of location or grade of streets, curbs, sidewalks, lots, building lines or utility easements in said subdivision or part thereof.

(d) Company shall, upon written request of any owner of a new subdivision, with who a contract has been entered into under these Rules, made within thirty (30) days after effective date of these Rules, re-execute such agreements under terms of these Rules.

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

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on the preliminary or final plat of the part of the subdivision to be developed.

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Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

11. PUBLIC AND PRIVATE FIRE SERVICE

11.1 Application for Private Fire Service

(a) The extent of the rights of the Customer for private fire service is to receive, but only at times of fire at the Premises served by the private fire service, such supply of water as shall then be available. The Company shall not be considered in any manner an insurer of property or persons, or to have undertaken to extinguish fires, or to protect any persons or property against loss or damage by fire, or otherwise, and it shall be free and exempt from any and all claims for damages on account of any injury to property or persons by reason of fire, water failure to supply water or pressure, or for any other cause whatsoever.

(b) The applicant or its agent shall complete an "Application for Special Connection," which is available at the Company's offices. Service connections for water to be taken for the extinguishment of fire shall be made only upon the terms as provided for in the "Application for Special Connection," and then only after such application has been submitted by the Customer and approved in writing by the Company and the applicable Fire Department.

(c) A gate valve with post indicator controlling the entire supply shall be placed at the curb or property line of the street in which the main is located or at such other point as may be approved by the Company, and said valve and post indicator shall be furnished, installed and maintained by the Company at the expense of the Customer, and unless otherwise approved by the Company, said valve shall be installed which shall be furnished, installed and maintained by and at the expense of the Customer.

(d) The Company will make the connection to its mains at the cost and expense of the Customer, and the service connection from the main to the post indicator valve as described in Section 11.1 (c) will be furnished, installed, owned and maintained by the Company and at the cost and expense of the Customer.

(e) The entire private fire service system on the Customer's premises shall be installed by and at the expense of the Customer and shall be subject to the inspection, test and approval of the Company before the service is made effective, and at such time thereafter as may be deemed necessary by the Company.

(f) A private fire service connection is furnished for the sole purpose of supplying water for the testing of the system and the extinguishment of fires, and the use of water from such a connection for any other purpose is absolutely forbidden.

(g) Private fire protection service may at any time be furnished at the option of the Company through a line guarded by an approved fire line meter or detector device which shall be furnished and installed by the Company at the expense of the Customer. The meter shall be set in an approved vault or chamber, properly drained and protected, located at a point as near as possible to the curb line, and said vault or chamber shall be constructed and maintained by the Company at the expense of the Customer. The meter

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

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(e) The entire private fire service system on the Customer's premises shall be installed by and at the expense of the Customer and shall be subject to the inspection, test and approval of the Company before the service is made effective, and at such time thereafter as may be deemed necessary by the Company.

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

or detector device will be maintained by the Company, but at the expense of the Customer.

(h) Hydrants and other fixtures connected with a private fire service connection may be sealed by the Company, and such seals shall be broken only in case of fire or as specially permitted by the Company, and the Customer must immediately notify the Company of the breaking of any such seal.

(i) No pipe or fixtures connected with a private fire service connection served by the Company shall be connected with pipes or fixtures supplied with water from any other source. An industry approved backflow prevention device reviewed by the Company must be installed on private fire service connections and such device must be tested annually thereafter.

(j) The entire private fire service connection and all parts of it which are located outside of the property line of the Customer and any meter or other indicating or controlling device and all parts and appurtenances thereof no matter where located shall be accessible and available in a safe manner to the Company at all times.

(k) The Company shall determine the size and location of any connections made to its mains for private fire service.

(l) The Customer shall furnish an accurate sketch or drawing showing the pipes, valves, hydrants, connections and appurtenances on the premises of the Customer and connected with the mains of the Company and also an accurate sketch of any other water pipe system and fixtures that may exist on the premises.

(m) Whenever a fire service system is to be tested under the regulations of the fire insurance underwriters, the Customer shall notify the Company of such proposed test, naming the day and hour when same is to be made, so that, if desired, the Company may have an inspector present during the test.

(n) All applications for private fire protection shall be subject to the written approval of the applicable Fire Department. It is the Customer's responsibility to obtain this approval.

(o) All subsequent owners of the property containing private fire service, assume all responsibilities under the original Application for Special Connection.

11.2 Terms and Conditions for New Private Fire Hydrant Service

(a) Applicants and Customers subject to this tariff are also subject to Rule 11.1(a), (b), and (f), which are incorporated by reference as if set forth herein.

(b) The entire cost for labor, materials and other expenses incurred in installing the private fire hydrant connection, consisting of tapping the main and installing the hydrant branch and hydrant at a convenient

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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
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Nick O. Rowe
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point between the curb and property line, will be paid by the Applicant and any work done by the Company in connection therewith will be at the expense and risk of the Applicant.

(c) Advance payment of three years' private service rate in Service Classification No. 4 for each private fire hydrant by the applicant will be required at the time the contract is signed for private fire hydrant service.

(d) Water used for extinguishing fires will not be charged. Prompt notice of hydrant use is to be given to the Company in order that the installation may be inspected.

(e) Except for hydrants owned by private entities as set forth in their contract with the Company, title to the service connection and hydrant shall, upon completion of construction, become vested in the Company, which thereafter shall assume responsibility for maintenance. Regardless of ownership, all parts and appurtenances shall be accessible and available to the Company at all times.

(f) No private fire hydrant will be installed at a location where the normal flow from the hydrant is less than 500 gallons per minute with a 20 pounds per square inch residual pressure in the main serving the hydrant.

(g) After expiration of the initial three-year advance payment of the private service rate by the applicant, the applicant will continue to be responsible for charges for this service. The applicant may request the Company's consent to transfer responsibility for the private service rate to an entity in good standing in the state in which the entity was organized. Any such request must be approved by the applicant, the entity to which the responsibility is being transferred, and the Company in order to be effective.

(h) Failure to pay the private service rate shall be sufficient cause for discontinuance of water service after reasonable notice by the Company.

(i) The private service rate shall continue in effect until such time as a unit of government shall agree to pay public fire protection charges thereon.

11.3 Public Fire Hydrants

(a) No person, except for the legitimate purpose of extinguishing fires or for other purposes herein provided, shall open any fire hydrant without the consent of the Company.

(b) During freezing weather, the City or County shall notify the Company after it has opened any hydrant.

(c) Any expenses for repairs caused by the negligence of the employees of the municipality or by members of the fire department shall be paid for by the municipality.

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Nick O. Rowe
President
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(b) The entire cost for labor, materials and other expenses incurred in installing the private fire hydrant connection, consisting of tapping the main and installing the hydrant branch and hydrant at a convenient point between the curb and property line, will be paid by the Applicant and any work done by the Company in connection therewith will be at the expense and risk of the Applicant.

(c) Advance payment of three years' private service rate in Service Classification No. 4 for each private fire hydrant by the applicant will be required at the time the contract is signed for private fire hydrant service.

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(d) The use of fire hydrants will be restricted to the taking of water for the extinguishing of fires, and water shall not be taken from any fire hydrant for construction purposes, sprinkling streets, flushing trenches, sewers or gutters or for any other use, unless specifically permitted by the Company for the particular time and occasion.

(e) Inspections and tests of public fire hydrants will be made by the Company at convenient times and reasonable intervals.

(f) Whenever a change in location, size or type of a fire hydrant is ordered, requested, or made necessary due to change in line or grade of any roadway, curb or walk, said change will be made by the Company at the expense of the municipality or other party ordering, requesting, or making necessary such change.

(g) In the event that the City or County shall order in writing the installation of additional fire hydrants on existing mains having an internal diameter of six inches or larger, the Company will install such hydrants at its own cost and expense, provided that such mains are of adequate capacity to provide the required fire flows.

(h) Where pipe line installations are required to carry out a written order of the City or County to install fire hydrants, or where existing mains, in the opinion of the Company, are inadequate to provide required fire flows to such hydrants, and the City or County orders in writing the installation of a water main of adequate size to provide such flows to the hydrant or hydrants so ordered, the Company will install such mains and hydrants at its own cost and expense, provided that the estimated cost of the extension does not exceed the estimated total revenue for a period of three (3) years from such hydrant or hydrants and from prospective Customers who will connect to such main within thirty (30) days after the date that water is turned into the main; and provided, further, that there is delivered to the Company a written guarantee by a financially responsible person or firm that such prospective Customers will take water service at their premises within thirty (30) days after the date that water is turned into the main. If the estimated cost of the proposed extension and hydrants required in order to furnish fire service exceeds three (3) times the Company's estimate of immediate annual revenue, such extensions will be made under the following conditions: the Company may require a deposit in the amount by which the cost of the extension, including the cost of hydrants which might be connected thereto, exceeds three (3) times the annual revenue estimated to be received from the hydrant and prospective Customers and will, in such case, for each additional Customer directly connected to the extension between its original beginning and original end with a period of ten (10) years from the making of such extension, refund an amount equal to three (3) times the estimated a revenue of the new Customer, but at no time shall the aggregate refund made exceed the original deposit.

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

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(c) Any expenses for repairs caused by the negligence of the employees of the municipality or by members of the fire department shall be paid for by the municipality.

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(e) Inspections and tests of public fire hydrants will be made by the Company at convenient times and reasonable intervals.

(f) Whenever a change in location, size or type of a fire hydrant is ordered, requested, or made necessary due to change in line or grade of any roadway, curb or walk, said change will be made by the Company at the expense of the municipality or other party ordering, requesting, or making necessary such change.

(g) In the event that the City or County shall order in writing the installation of additional fire hydrants on existing mains having an internal diameter of six inches or larger, the Company will install such hydrants at its own cost and expense, provided that such mains are of adequate capacity to provide the required fire flows.

(h) Where pipe line installations are required to carry out a written order of the City or County to install fire hydrants, or where existing mains, in the opinion of the Company, are inadequate to provide required fire flows to such hydrants, and the City or County orders in writing the installation of a water main of adequate size to provide such flows to the hydrant or hydrants so ordered, the Company will install such mains and hydrants at its own cost and expense, provided that the estimated cost of the extension does not exceed the estimated total revenue for a period of three (3) years from such hydrant or hydrants and from prospective Customers who will connect to such main within thirty (30) days after the date that water is turned into the main; and provided, further, that there is delivered to the Company a written guarantee by a financially responsible person or firm that such prospective Customers will take water service at their premises within thirty (30) days after the date that water is turned into the main. If the estimated cost of the proposed extension and hydrants required in order to furnish fire service exceeds three (3) times the Company's estimate of immediate annual revenue, such extensions will be made under the following conditions: the Company may require a deposit in the amount by which the cost of the extension, including the cost of hydrants which might be connected thereto, exceeds three (3) times the annual revenue estimated to be received from the hydrant and prospective Customers and will, in such case, for each additional Customer directly connected to the extension between its original beginning and original end with a period of ten (10) years from the making of such extension, refund an amount equal to three (3) times the estimated annual revenue of the new Customer, but at no time shall the aggregate refund made exceed the original deposit.

ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

12. SERVICE CLASSIFICATIONS AND TARIFFS/RATES/FEES

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

(T)

Applicable
Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service
Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered service.

Meter Rates
The following shall be the rates for consumption, in addition to the service charges provided for herein;

Customer Category	Rate Per 1,000 Gallons All consumption		Rate Per 100 Gallons All Consumption	
Residential	$5.0590	(I)	$0.5059	(I)
Commercial	4.4120	(I)	0.4412	(I)
Industrial	3.8340		0.3834	
Municipal & Other Public Authority	4.0530	(I)	0.4053	
Sales for Resale	3.8370		0.3837	

Service Charges
All metered general water service customers shall pay a service charge based on the size of meter installed. The service charge will not entitle the customer to any water. (T)

Size of Meter	Residential Service Charge Per Month	All Other Classes Service Charge Per Month
5/8”	$12.49	$ 13.63
3 /4”	18.74	20.46
1”	31.23	34.07
1-1 /2”	62.45	68.17
2”	99.92	109.04
3”	187.35	204.47
4”	312.25	340.77
6”	624.50	681.50
8”	999.20	1,090.40

ISSUED: August 10, 2018
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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

The reduced rates are issued by authority of the Public Service Commission in Case No. 2018-00042 dated August 30, 2018.
The removal of the rate per 100 cubic feet was issued by authority of the Public Service Commission in Case No. 2015-00418 dated August 23, 2016.

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

Applicable
Applicable to the entire Service Territory of Kentucky-American Water Company unless otherwise noted.

Availability of Service
Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered service.

Meter Rates
The following shall be the rates for consumption, in addition to the service charges provided for herein;

Customer Category	Rate Per 1,000 Gallons All consumption	Rate Per 100 Gallons All Consumption
Residential	$6.3640	$0.6364
Commercial	5.7120	0.5712
Industrial	4.7500	0.4750
Municipal & Other Public Authority	5.1910	0.5191
Sales for Resale	4.7600	0.4760

Service Charges
All metered general water service customers shall pay a service charge based on the size of meter installed. The service charge will not entitle the customer to any water.

Size of Meter	Residential Service Charge Per Month		All Classes Service Charge Per Month	
5/8”	$12.49	(D)	$ 15.00	(I)
3 /4”	18.74	(D)	22.40	(I)
1”	31.23	(D)	37.30	(I)
1-1 /2”	62.45	(D)	74.70	(I)
2”	99.92	(D)	119.50	(I)
3”	187.35	(D)	224.00	(I)
4”	312.25	(D)	373.40	(I)
6”	624.50	(D)	746.70	(I)
8”	999.20	(D)	1,194.70	(I)

(I) Indicates increase
(D) Indicates deletion
(T) Indicates change in text

ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

Approved:

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 1

Applicable
Applicable to Kentucky-American Water Company customers in Eastern Rockcastle County.

Availability of Service
Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered service.

Meter Rates and Service Charges
The following shall be the rates for consumption. The Minimum Bill, and 1,000 gallons of consumption beyond the minimum bill shall be:

Meter Size	Minimum Bill	Volume included in Minimum Bill	Rate per 1,000 gallons over Minimum Bill
5/8”	$28.28	2,000	$11.53
3 / 4”	$28.28	2,000	11.53
1”	$62.87	5,000	11.53
2”	$178.17	15,000	11.53

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

(D) **CLASSIFICATION OF SERVICE**
(D) **SERVICE CLASSIFICATION NO. 1**

(D) **Applicable**
(D) Applicable to Kentucky-American Water Company customers in Eastern Rockcastle County.

(D) **Availability of Service**
(D) Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other
(D) Public Authority metered service.

(D) **Meter Rates and Service Charges**
(D) The following shall be the rates for consumption. The Minimum Bill, and each 1,000 gallons of
(D) consumption beyond the minimum bill shall be:

(D) Meter Size	Minimum Bill	Volume included in Minimum Bill	Rate per 1,000 gallons over Minimum Bill
(D) 5/8”	$28.28	2,000	$11.53
(D) 3 / 4”	$28.28	2,000	11.53
(D) 1”	$62.87	5,000	11.53
(D) 2”	$178.17	15,000	11.53

(D) Indicates deletion

ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 3

Applicable
Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service
Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates

Size of Service	Rate Per Month	Rate Per Annum	
2" Diameter	$ 8.11	$ 97.32	(I)
4" Diameter	32.67	392.04	(I)
6" Diameter	73.49	881.88	(I)
8" Diameter	130.64	1,567.68	(I)
10" Diameter	204.18	2,450.16	(I)
12" Diameter	294.43	3,533.16	(I)
14" Diameter	423.96	5,087.52	
16" Diameter	522.81	6,273.72	

Special Provisions
No charge shall be made for water used in extinguishing accidental fires or for Underwriters' tests, and water shall not be drawn from a private fire service connection for any other purpose.

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed in Service Classification No. 1 shall also be charged.

The charges under this provision are in addition to any general water service charges.

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Issued by authority of the Public Service Commission in Case No. 2018-00042 dated August 30, 2018.

Approved: KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 3

Applicable
(T) Applicable to the entire Service Territory of Kentucky-American Water Company unless otherwise noted.

Availability of Service
Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates

Size of Service	Rate Per Month	Rate Per Annum
2" Diameter	$ 9.16	$ 109.92
4" Diameter	36.92	443.04
6" Diameter	83.04	996.48
8" Diameter	147.62	1,771.44
10" Diameter	230.72	2,768.64
12" Diameter	332.71	3,992.52
14" Diameter	479.07	5,748.84
16" Diameter	590.78	7,089.36

Special Provisions
No charge shall be made for water used in extinguishing accidental fires or for Underwriters' tests, and water shall not be drawn from a private fire service connection for any other purpose.

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed in Service Classification No. 1 shall also be charged.

The charges under this provision are in addition to any general water service charges.

(I) Indicates Increase
(T) Indicates text change

ISSUED: November 28, 2018
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Approved:

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

TAPPING FEES

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for residential, commercial, industrial, other public authority and sales for resale customers.

Tapping (Connection) Fees

Size of Meter Connected

5/8-Inch	$1,280.00
1-Inch	2,201.00
2-Inch	4,238.00
Service larger than 2”	Actual Cost

For services greater than 2”, a cost-adjustable deposit is required upon application. The tapping fee will be required upon application for all services installed on or after the effective date of this tariff, except in cases where a complete application for service (including plumbing inspection) is on file with the Company prior to the effective date of this tariff.

ISSUED: August 10, 2018
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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

TAPPING FEES

Applicable

(T) Applicable to the entire Service Territory of Kentucky-American Water Company unless otherwise noted.

Availability of Service

Available for residential, commercial, industrial, other public authority and sales for resale customers.

Tapping (Connection) Fees

Size of Meter Connected

(R)	5/8-Inch	$1,223.00
(R)	1-Inch	2,174.00
(R)	2-Inch	4,002.00
	Service larger than 2”	Actual Cost

For services greater than 2”, a cost-adjustable deposit is required upon application. The tapping fee will be required upon application for all services installed on or after the effective date of this tariff, except in cases where a complete application for service (including plumbing inspection) is on file with the Company prior to the effective date of this tariff.

(N) Rates may be grossed up for state and federal income taxes.

(R) Indicates reduction/decrease
(N) Indicates new rate or requirement
(T) Indicates text change

ISSUED: November 28, 2018
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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 4

Applicable
Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service
Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates for Public Fire Service

	Rate Per Month	Rate Per Annum
For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental Agencies or Institutions.	$39.90	$478.80

Rates for Private Service

For each private fire hydrant contracted for by Industries or Private Institutions.	$70.90	$850.80

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition, to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed In Service Classification No. 1 shall also be charged.
The charges under this provision are in addition to any general water service charges.

Special Provisions
A few hydrants are connected to mains by a "special connection." A "special connection" exists when a customer and the Company entered into a service contract in which the customer agreed to maintain an unmetered water line from a Company main to the customer's service line. If the Company has reason to believe water from a special connection is being used for purposes other than fire protection, including that the connection or line is leaking, the Company may install a meter and charge for usage under this tariff. The Company may require the customer to pay for the meter and its installation if:

(1) the Company gives the customer written notice of the usage problem, requests that the customer correct the problem, and informs the customer that failure to correct the problem within 90 days could result in liability of the customer for the cost of installing a meter to monitor usage,

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Issued by authority of the Public Service Commission in Case No. 2018-00042 dated August 30, 2018.

Approved: KENTUCKY PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 4

Applicable
(T) Applicable to the entire Service Territory of Kentucky-American Water Company unless otherwise noted.

Availability of Service
Available for municipal or private fire connections used exclusively for fire protection purposes.

Rates for Public Fire Service

		Rate PerMonth	Rate Per Annum
	For each public fire hydrant contracted for or ordered by Urban County, County, State or Federal Governmental		
(I)	Agencies or Institutions.	$49.16	$589.92

Rates for Private Service

	For each private fire hydrant contracted for by Industries		
(I)	or Private Institutions.	$80.12	$961.44

Fire service connections are furnished for the sole purpose of supplying water for the extinguishment of fires. If the Company has reason to believe water is being used for other purposes, including that the connection or line is leaking, the Company may install a meter to monitor usage, and, in addition, to the rates for fire protection listed above, all usage shall be billed at the Commercial rate in Service Classification No. 1. The applicable Service Charge listed In Service Classification No. 1 shall also be charged.
The charges under this provision are in addition to any general water service charges.

Special Provisions
A few hydrants are connected to mains by a "special connection." A "special connection" exists when a customer and the Company entered into a service contract in which the customer agreed to maintain an unmetered water line from a Company main to the customer's service line. If the Company has reason to believe water from a special connection is being used for purposes other than fire protection, including that the connection or line is leaking, the Company may install a meter and charge for usage under this tariff. The Company may require the customer to pay for the meter and its installation if:

(1) the Company gives the customer written notice of the usage problem, requests that the customer correct the problem, and informs the customer that failure to correct the problem within 90 days could result in liability of the customer for the cost of installing a meter to monitor usage,

(I) Indicates Increase
(T) Indicates change in text

ISSUED: November 28, 2018
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Approved:

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

(2) the customer does not substantially correct the problem within 90 days of the written notice, and,
(3) the Company thereafter gives three business days' notice, which shall include a cost estimate, that it will install the meter at the customer's expense.

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

(2) the customer does not substantially correct the problem within 90 days of the written notice, and,
(3) the Company thereafter gives three business days' notice, which shall include a cost estimate, that it will install the meter at the customer's expense.

ISSUED: November 28, 2018
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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 5

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Water Used for Construction, Street Washing, Pool Filling, and Similar Purposes.

Rates

Where a meter is installed on a fire hydrant or on a temporary service connection for construction, street washing, pool filling, and similar purposes, the minimum payment for water shall be the monthly service charge for general water service, payable in advance based upon the size of the meter installed. If more than one fire hydrant or temporary service connection is used, the service charge is to apply to each such hydrant or temporary service connection so used.

The Company may require an application to be signed and either the service charge paid in advance or, at the option of the Company, a meter deposit made, and the account handled in the same manner as any other metered account. This service charge will not entitle the Customer to any water and all water used shall be billed at the meter rate schedule. In addition to such charges the Customer shall pay all reasonable costs incurred in connection with the installation and removal of the meter.

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 5

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Water Used for Construction, Street Washing, Pool Filling, and Similar Purposes.

Rates

Where a meter is installed on a fire hydrant or on a temporary service connection for construction, street washing, pool filling, and similar purposes, the minimum payment for water shall be the monthly service charge for general water service, payable in advance based upon the size of the meter installed. If more than one fire hydrant or temporary service connection is used, the service charge is to apply to each such hydrant or temporary service connection so used.

The Company may require an application to be signed and either the service charge paid in advance or, at the option of the Company, a meter deposit made, and the account handled in the same manner as any other metered account. This service charge will not entitle the Customer to any water and all water used shall be billed at the meter rate schedule. In addition to such charges the Customer shall pay all reasonable costs incurred in connection with the installation and removal of the meter.

ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6
BILLING OF LICENSE, OCCUPATION, FRANCHISE OR OTHER SIMILAR CHARGES OR TAXES INCLUDING SCHOOL TAX

Applicable

Applicable to all customers in the Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Residential, Commercial, Industrial, Other Public Authority and Sales for Resale customers.

Rates

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate part of any license, occupation, franchise, fee or other similar fee, charge or tax now or hereafter imposed upon the Company by local taxing authorities or the Kentucky River Authority, whether imposed by ordinance, franchise, statute or otherwise, and which fee, tax or charge is based upon Kentucky River water usage or a percentage of the gross receipts, net receipts, or revenues from sales of water or services rendered by the Company to the customer. Where more than one such charge, fee or tax is imposed, the total of such charges, fees or taxes applicable to a Customer may be billed to the customer as a single amount. Charges, fees or taxes herein referred to shall in all instances be billed to customers on the basis of Company rates or usage effective at the time of billing, and on the basis of the tax rate of usage effective at the time billing is made.

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate amount of school tax in any county requiring a utility gross receipts license tax for schools under KRS 160.613.

There shall also be added to the Customer's bill, as a separate item, any fee, tax or charge imposed upon the customer by a municipality or governmental agency, the purpose of which is to allocate among those customers identified by ordinance, franchise, statute, or otherwise, the cost of fire hydrants imposed upon the municipality or governmental agency. Failure to pay this charge shall not constitute grounds for termination of service.

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6
BILLING OF LICENSE, OCCUPATION, FRANCHISE OR OTHER SIMILAR CHARGES OR TAXES INCLUDING SCHOOL TAX

Applicable

Applicable to all customers in the Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Residential, Commercial, Industrial, Other Public Authority and Sales for Resale customers.

Rates

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate part of any license, occupation, franchise, fee or other similar fee, charge or tax now or hereafter imposed upon the Company by local taxing authorities or the Kentucky River Authority, whether imposed by ordinance, franchise, statute or otherwise, and which fee, tax or charge is based upon Kentucky River water usage or a percentage of the gross receipts, net receipts, or revenues from sales of water or services rendered by the Company to the customer. Where more than one such charge, fee or tax is imposed, the total of such charges, fees or taxes applicable to a Customer may be billed to the customer as a single amount. Charges, fees or taxes herein referred to shall in all instances be billed to customers on the basis of Company rates or usage effective at the time of billing, and on the basis of the tax rate of usage effective at the time billing is made.

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate amount of school tax in any county requiring a utility gross receipts license tax for schools under KRS 160.613.

There shall also be added to the Customer's bill, as a separate item, any fee, tax or charge imposed upon the customer by a municipality or governmental agency, the purpose of which is to allocate among those customers identified by ordinance, franchise, statute, or otherwise, the cost of fire hydrants imposed upon the municipality or governmental agency. Failure to pay this charge shall not constitute grounds for termination of service.

ISSUED: November 28, 2018
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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for Residential, Commercial, Industrial, Other Public Authority and Sales for Resale customers.

Rates

Kentucky-American Water Company in accordance with the tariff shown in First Sheet No. 32 shall charge a rate of $0.0177 per 100 gallons.

Except for rate changes imposed by the Kentucky River Authority, which will be put in effect immediately upon notification of such change by the Kentucky River Authority, this fee will be adjusted annually beginning January, 2002 to reflect any over or under collection of Kentucky River Authority fees existing at the time of the adjustment

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

CLASSIFICATION OF SERVICE
SERVICE CLASSIFICATION NO. 6

Applicable

(T) Applicable to the entire Service Territory of Kentucky-American Water Company supplied water from the
(T) Kentucky River.

Availability of Service

Available for Residential, Commercial, Industrial, Other Public Authority and Sales for Resale customers.

Rates

(T) Kentucky-American Water Company in accordance with the tariff shown in First Sheet No. 36 shall charge
(T) a rate of $0.0177 per 100 gallons for Kentucky River Authority withdrawal fees.

Except for rate changes imposed by the Kentucky River Authority, which will be put in effect immediately upon notification of such change by the Kentucky River Authority, this fee will be adjusted annually beginning January, 2002 to reflect any over or under collection of Kentucky River Authority fees existing at the time of the adjustment

(T) indicates change in text

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KAW_APP_EX03_112818
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RECONNECTION CHARGE

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for all customers

When it is necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a charge of
Fifty-six Dollars ($56.00) will be made to cover the expense of turning on the water service.

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

RECONNECTION CHARGE

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for all customers

When it is necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations on account of nonpayments of any bill for water service, a charge of
Fifty-six Dollars ($56.00) will be made to cover the expense of turning on the water service.

ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

INSUFFICIENT FUNDS CHARGE

In those instances where a customer renders payment to the Company by check or electronic funds transfer which is not honored upon deposit by the Company, the customer will be charged ($12.00) to cover the processing costs.

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

INSPECTION OF SERVICE LINE

Applicable:
Applicable to the entire service territory of Kentucky-American Water Company where neither the Kentucky Department of Housing, Building and Construction or local government conducts an inspection of service lines comparable to that required of water utilities by 807 KAR 5:066 Section 9(3).

Availability of Service:
Inspection of service lines is available to all customers of Kentucky-American Water Company where neither the Kentucky Department of Housing, Building and Construction or local government conducts an inspection of service lines comparable to that required of water utilities by 807 KAR 5:066 Section 9(3). The customer shall leave the trench open and the service line uncovered. The service line must be determined to be free from any tee, branch connection, irregularity or defect before service will be initiated.

Rate:
The customer shall be charged $25.00 for each inspection of a service line.

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
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ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

NEW ACCOUNT SET UP
ACTIVATION FEE

Applicable
Applicable to all customers who request a new account or a change in ownership of an existing account.

Availability of Service
Available for all customers.

Rate
An activation fee of Twenty-eight ($28.00) Dollars shall be charged to set up a new account or change an existing account. The activation fee covers the cost of meter reading and record change.

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

LATE PAYMENT FEE

Applicable

Applicable to the entire Service Territory of Kentucky-American Water Company.

Availability of Service

Available for all customers.

Rates

Kentucky American Water Company shall charge a 5% late fee on all charges that are paid after the due date on the bill. The late payment fee is 5% calculated upon all amounts owed with the exception of any amounts Kentucky-American Water Company collects pursuant to a third-party billing services contract, or on previously assessed late payment fees or other penalty charges. The late payment charge will only be assessed once on any bill for rendered services. Customers who receive a pledge for or notice of low income water assistance from an authorized agency will not be assessed or required to pay a late payment charge for the bill for which the pledge or notice is received.

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
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ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

BULK SALES OF WATER THROUGH LOADING STATIONS

Availability of Service

This service is available at locations deemed appropriate by Kentucky-American Water Company.

Rate

The following rates and charges are prescribed for the customers in the area served by Kentucky-American Water Company.

Bulk Sales Rate	$.1674 per 50 gallons

Terms and Conditions of Service

Service taken under this tariff must be prepaid by the customer.

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Issued by authority of the Public Service Commission in Case No. 2018-00042 dated August 30, 2018.

Approved:
KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

Approved:

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

SERVICE CLASSIFICATION NO. 6
HIDDEN LEAK ADJUSTMENT RATE

Applicable
Applicable to entire Service Territory of Kentucky-American Water Company.

Availability of Service
Available for Residential and Commercial customers.

Rates
A charge of twenty-five (25) percent of the applicable tariff will be applied to all water usage determined to be the result of a hidden underground leak.

Terms and Conditions
A hidden underground leak is defined as a leak in the customer service line between the meter and the premises. Hidden underground leak adjustments will be granted to residential and commercial customers. The customer must provide a plumber's statement or list of materials showing that the leak has been repaired. After verification of repairs by the Water Company, the bill will be adjusted by comparing the usage during the leak billing period to the average usage for the past six billing periods. A reasonable estimate will be used in cases when six prior periods of information do not exist. The excess usage will be billed at the rate specified above. During the lifetime of a water service line only two leak adjustments will be permitted. Each adjustment may cover a maximum of two billing periods. Before a third adjustment can be considered, the entire water service line from the meter box to the premises must be replaced. Plastic pipe for repair of underground water service lines must be certified to withstand a working pressure of 160 pounds per square inch or greater.

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
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9/10/2018
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ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

(T)
↓

KENTUCKY AMERICAN WATER

WE KEEP LIFE FLOWING™

Service Address:
JOHN Q CUSTOMER
1234 ANYWHERE ST UNIT 1234
CITY, ST ZIP CODE

THANK YOU FOR BEING OUR CUSTOMER.

Important Account Messages

- Looking for an easy way to manage your account and service needs? Try our redesigned customer portal at www.amwater.com/MyAccount. Find out how much you owe, start or stop service and pay your bill electronically without a convenience fee. And you can access anytime ... 24x7, all day, every day!

For more information, visit www.kentuckyamwater.com

Page 1 of 3
65290290804

Monthly Statement

Account No. 1012-210001234567

Total Amount Due:	$37.80
Payment Due By:	May 29, 2018

Billing Date:	May 11, 2018
Service Period:	Apr 11 to May 10
Total Gallons:	3,740

Account Summary – *See page 3 for Account Detail*

Prior Billing:		$42.67
Payments - Thank You!	-	$42.67
Balance Forward:	=	**$0.00**
Service Related Charges:	+	$35.66
Taxes:	+	$2.14
Total Amount Due:	=	$37.80

View your account information or pay your bill anytime at: amwater.com/MyAccount

Pay by Phone*: Pay anytime at 1-855-748-6066
**A convenience fee may apply*

Customer Service: 1-800-678-6301
M-F 7:00am to 7:00pm – Emergencies 24/7

Please return bottom portion with your payment. DO NOT send cash. Retain upper portion for your records.

TRA1-S-00801/000002 PC0180 ETM1C001 1 34 6 A

KENTUCKY AMERICAN WATER
WE KEEP LIFE FLOWING™
PO Box 790247
St Louis, MO 63179-0247

Service to: 1234 ANYWHERE ST
CITY, ST ZIP CODE

8001 1 AB 0.301 00001/008001/000002 0047 2 PC0180
JOHN Q CUSTOMER
1234 ANYWHERE ST
UNIT 1234
CITY ST 00000-0000

Account No. 1012-210001234567

Total Amount Due:	$37.80
Payment Due By:	May 29, 2018
If paying after 5/29/18, pay this amount:	$39.69

Amount Enclosed $

KENTUCKY AMERICAN WATER
PO BOX 790247
ST LOUIS, MO 63179-0247

00010122100012345670000000000003780013

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

ISSUED BY: /s/ Nick O. Rowe
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2300 Richmond Road, Lexington, KY 40502

(T)
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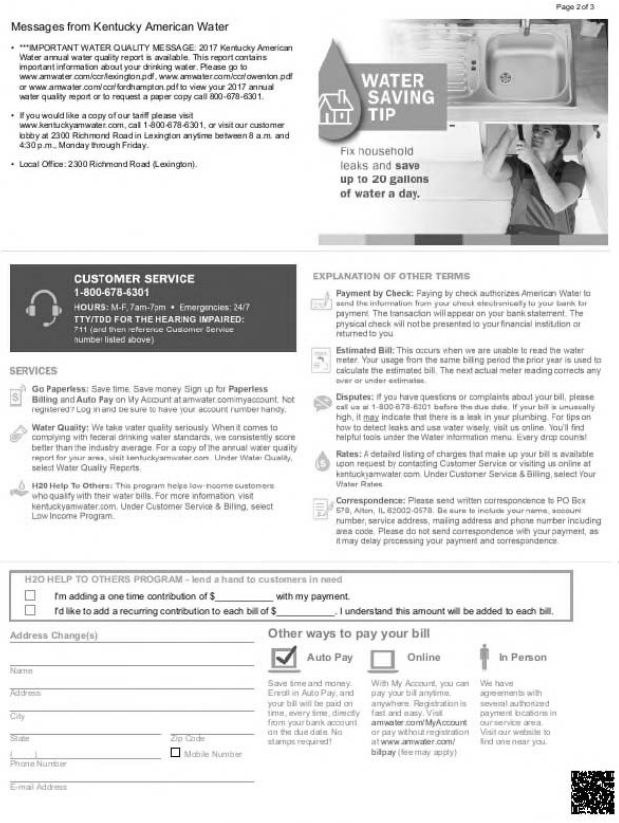


Page 2 of 3

Messages from Kentucky American Water

- ***IMPORTANT WATER QUALITY MESSAGE: 2017 Kentucky American Water annual water quality report is available. This report contains important information about your drinking water. Please go to www.amwater.com/ccr/lexington.pdf, www.amwater.com/ccr/owenton.pdf or www.amwater.com/ccr/fordhampton.pdf to view your 2017 annual water quality report or to request a paper copy call 800-678-6301.
- If you would like a copy of our tariff please visit www.kentuckyamwater.com, call 1-800-678-6301, or visit our customer lobby at 2300 Richmond Road in Lexington anytime between 8 a.m. and 4:30 p.m., Monday through Friday.
- Local Office: 2300 Richmond Road (Lexington).

WATER SAVING TIP

Fix household leaks and **save up to 20 gallons of water a day.**

CUSTOMER SERVICE
1-800-678-6301
HOURS: M-F, 7am-7pm • Emergencies: 24/7
TTY/TDD FOR THE HEARING IMPAIRED:
711 (and then reference Customer Service number listed above)

SERVICES

Go Paperless: Save time. Save money. Sign up for **Paperless Billing** and **Auto Pay** on My Account at amwater.com/myaccount. Not registered? Log in and be sure to have your account number handy.

Water Quality: We take water quality seriously. When it comes to complying with federal drinking water standards, we consistently score better than the industry average. For a copy of the annual water quality report for your area, visit kentuckyamwater.com. Under Water Quality, select Water Quality Reports.

H20 Help To Others: This program helps low-income customers who qualify with their water bills. For more information, visit kentuckyamwater.com. Under Customer Service & Billing, select Low Income Program.

EXPLANATION OF OTHER TERMS

Payment by Check: Paying by check authorizes American Water to send the information from your check electronically to your bank for payment. The transaction will appear on your bank statement. The physical check will not be presented to your financial institution or returned to you.

Estimated Bill: This occurs when we are unable to read the water meter. Your usage from the same billing period the prior year is used to calculate the estimated bill. The next actual meter reading corrects any over or under estimates.

Disputes: If you have questions or complaints about your bill, please call us at 1-800-678-6301 before the due date. If your bill is unusually high, it may indicate that there is a leak in your plumbing. For tips on how to detect leaks and use water wisely, visit us online. You'll find helpful tools under the Water Information menu. Every drop counts!

Rates: A detailed listing of charges that make up your bill is available upon request by contacting Customer Service or visiting us online at kentuckyamwater.com. Under Customer Service & Billing, select Your Water Rates.

Correspondence: Please send written correspondence to PO Box 578, Alton, IL 62002-0578. Be sure to include your name, account number, service address, mailing address and phone number including area code. Please do not send correspondence with your payment, as it may delay processing your payment and correspondence.

H2O HELP TO OTHERS PROGRAM - lend a hand to customers in need

☐ I'm adding a one time contribution of $_____ with my payment.
☐ I'd like to add a recurring contribution to each bill of $_____. I understand this amount will be added to each bill.

Address Change(s)

Name
Address
City
State Zip Code
( ) ☐ Mobile Number
Phone Number
E-mail Address

Other ways to pay your bill

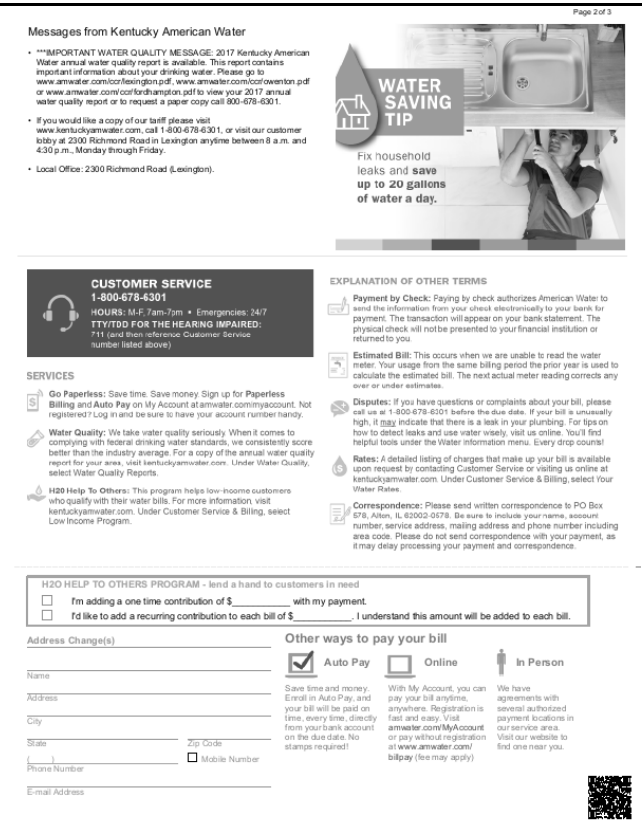
Auto Pay — Save time and money. Enroll in Auto Pay, and your bill will be paid on time, every time, directly from your bank account on the due date. No stamps required!

Online — With My Account, you can pay your bill anytime, anywhere. Registration is fast and easy. Visit amwater.com/MyAccount or pay without registration at www.amwater.com/billpay (fee may apply)

In Person — We have agreements with several authorized payment locations in our service area. Visit our website to find one near you.

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)



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Approved:

(T)
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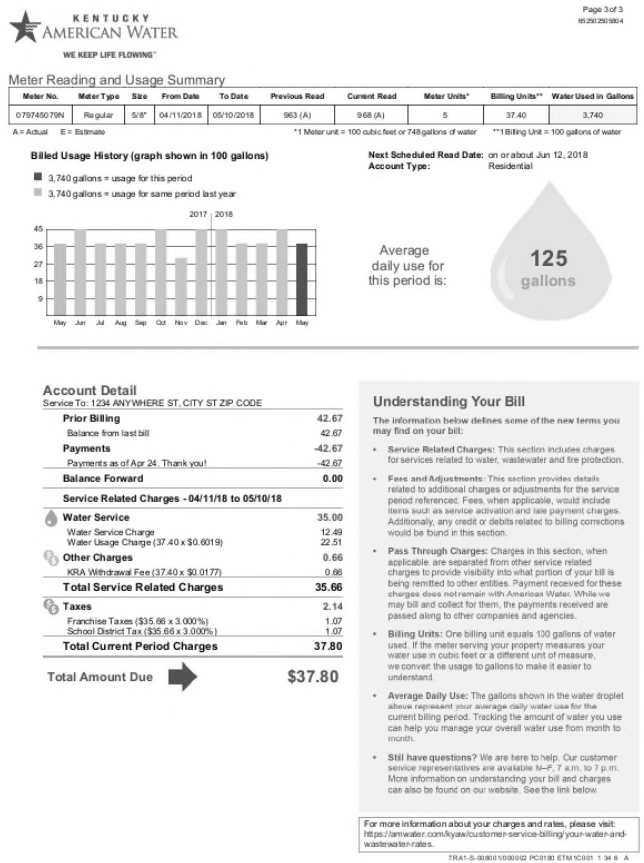


KENTUCKY AMERICAN WATER
WE KEEP LIFE FLOWING™

Page 3 of 3
652502505804

Meter Reading and Usage Summary

Meter No.	Meter Type	Size	From Date	To Date	Previous Read	Current Read	Meter Units*	Billing Units**	Water Used in Gallons
07974507 9N	Regular	5/8"	04/11/2018	05/10/2018	963 (A)	968 (A)	5	37.40	3,740

A = Actual E = Estimate
*1 Meter unit = 100 cubic feet or 748 gallons of water **1 Billing Unit = 100 gallons of water

Billed Usage History (graph shown in 100 gallons)
3,740 gallons = usage for this period
3,740 gallons = usage for same period last year

Next Scheduled Read Date: on or about Jun 12, 2018
Account Type: Residential

Average daily use for this period is: 125 gallons

Account Detail
Service To: 1234 ANYWHERE ST, CITY ST ZIP CODE

Prior Billing	42.67
Balance from last bill	42.67
Payments	-42.67
Payments as of Apr 24. Thank you!	-42.67
Balance Forward	0.00
Service Related Charges - 04/11/18 to 05/10/18	
Water Service	35.00
Water Service Charge	12.49
Water Usage Charge (37.40 x $0.6019)	22.51
Other Charges	0.66
KRA Withdrawal Fee (37.40 x $0.0177)	0.66
Total Service Related Charges	35.66
Taxes	2.14
Franchise Taxes ($35.66 x 3.000%)	1.07
School District Tax ($35.66 x 3.000%)	1.07
Total Current Period Charges	37.80
Total Amount Due	$37.80

Understanding Your Bill

The information below defines some of the new terms you may find on your bill:

- **Service Related Charges:** This section includes charges for services related to water, wastewater and fire protection.
- **Fees and Adjustments:** This section provides details related to additional charges or adjustments for the service period referenced. Fees, when applicable, would include items such as service activation and late payment charges. Additionally, any credit or debits related to billing corrections would be found in this section.
- **Pass Through Charges:** Charges in this section, when applicable, are separated from other service related charges to provide visibility into what portion of your bill is being remitted to other entities. Payment received for these charges does not remain with American Water. While we may bill and collect for them, the payments received are passed along to other companies and agencies.
- **Billing Units:** One billing unit equals 100 gallons of water used. If the meter serving your property measures your water use in cubic feet or a different unit of measure, we convert the usage to gallons to make it easier to understand.
- **Average Daily Use:** The gallons shown in the water droplet above represent your average daily water use for the current billing period. Tracking the amount of water you use can help you manage your overall water use from month to month.
- **Still have questions?** We are here to help. Our customer service representatives are available M–F, 7 a.m. to 7 p.m. More information on understanding your bill and charges can also be found on our website. See the link below.

For more information about your charges and rates, please visit: https://amwater.com/kyaw/customer-service-billing/your-water-and-wastewater-rates.

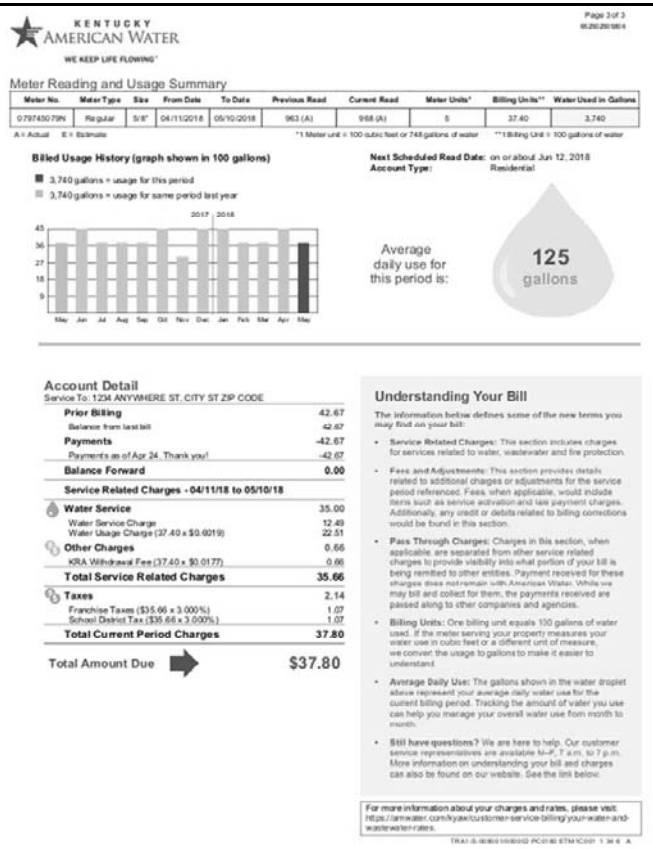
TRA1-S-00800100002 PC0180 ETM1C001 1 34 8 A

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)



KENTUCKY AMERICAN WATER
WE KEEP LIFE FLOWING™

Page 3 of 3
652502505804

Meter Reading and Usage Summary

Meter No.	Meter Type	Size	From Date	To Date	Previous Read	Current Read	Meter Units*	Billing Units**	Water Used in Gallons
07974507 9N	Regular	5/8"	04/11/2018	05/10/2018	963 (A)	968 (A)	5	37.40	3,740

A = Actual E = Estimate
*1 Meter unit = 100 cubic feet or 748 gallons of water **1 Billing Unit = 100 gallons of water

Billed Usage History (graph shown in 100 gallons)
3,740 gallons = usage for this period
3,740 gallons = usage for same period last year

Next Scheduled Read Date: on or about Jun 12, 2018
Account Type: Residential

Average daily use for this period is: 125 gallons

Account Detail
Service To: 1234 ANYWHERE ST, CITY ST ZIP CODE

Prior Billing	42.67
Balance from last bill	42.67
Payments	-42.67
Payments as of Apr 24. Thank you!	-42.67
Balance Forward	0.00
Service Related Charges - 04/11/18 to 05/10/18	
Water Service	35.00
Water Service Charge	12.49
Water Usage Charge (37.40 x $0.6019)	22.51
Other Charges	0.66
KRA Withdrawal Fee (37.40 x $0.0177)	0.66
Total Service Related Charges	35.66
Taxes	2.14
Franchise Taxes ($35.66 x 3.000%)	1.07
School District Tax ($35.66 x 3.000%)	1.07
Total Current Period Charges	37.80
Total Amount Due	$37.80

Understanding Your Bill

The information below defines some of the new terms you may find on your bill:

- **Service Related Charges:** This section includes charges for services related to water, wastewater and fire protection.
- **Fees and Adjustments:** This section provides details related to additional charges or adjustments for the service period referenced. Fees, when applicable, would include items such as service activation and late payment charges. Additionally, any credit or debits related to billing corrections would be found in this section.
- **Pass Through Charges:** Charges in this section, when applicable, are separated from other service related charges to provide visibility into what portion of your bill is being remitted to other entities. Payment received for these charges does not remain with American Water. While we may bill and collect for them, the payments received are passed along to other companies and agencies.
- **Billing Units:** One billing unit equals 100 gallons of water used. If the meter serving your property measures your water use in cubic feet or a different unit of measure, we convert the usage to gallons to make it easier to understand.
- **Average Daily Use:** The gallons shown in the water droplet above represent your average daily water use for the current billing period. Tracking the amount of water you use can help you manage your overall water use from month to month.
- **Still have questions?** We are here to help. Our customer service representatives are available M–F, 7 a.m. to 7 p.m. More information on understanding your bill and charges can also be found on our website. See the link below.

For more information about your charges and rates, please visit: https://amwater.com/kyaw/customer-service-billing/your-water-and-wastewater-rates.

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ISSUED: November 28, 2018
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ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

Not currently in tariff

(N) **QUALIFIED INFRASTRUCTURE PROGRAM RIDER ("QIP RIDER")**

(N) **APPLICABLE SERVICE AREA**

(N) Applicable to the entire Service Territory of Kentucky American Water Company unless
(N) otherwise noted.

(N) **APPLICABILITY OF RIDER**

(N) Applicable to Residential, Commercial, Industrial, Other Public Authority, Sales for Resale,
(N) Public and Private Fire Service and Hydrant customers.

(N) **CALCULATION OF QUALIFIED INFRASTRUCTURE PROGRAM RIDER REVENUE**
(N) **REQUIREMENT**

(N) The QIP Rider Revenue Requirement includes the following:

(N) a. QIP-eligible Plant In-Service not included in base water rates minus the associated
(N) QIP-related accumulated depreciation and accumulated deferred income taxes;
(N) b. Retirement and removal of plant related to QIP-eligible construction;
(N) c. Return on the net QIP-eligible plant in-service at the overall rate of return on capital
(N) authorized in the Company's latest base water rate case, grossed up for federal and state
(N) income taxes;
(N) d. Depreciation expense on the QIP-eligible Plant In-Service less retirement and
(N) removals;
(N) e. Property taxes related to the QIP.

(N) **QIP ELIGIBLE UTILITY PLANT:**

(N) Distribution Infrastructure – distribution and transmission system structures and improvements, mains
(N) and valves installed as replacements for existing facilities; hydrants, distribution tanks; services, meters
(N) and meter installations, power generation and pumping equipment installed as replacements for existing
(N) facilities; unreimbursed funds related to capital projects to relocate facilities required by governmental
(N) infrastructure projects.

(N) Water Treatment Infrastructure – source of supply and water treatment structures, pipe and equipment
(N) including sampling equipment, SCADA equipment, power generation and pumping equipment installed as
(N) replacements for existing facilities.

(N) Indicates new rate or requirement

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EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Not currently in tariff

(N) **RATES**

(N) All customers subject to this QIP Rider receiving water service shall be assessed a monthly
(N) QIP Rider charge in addition to the service charge, consumption charge or monthly fee
(N) component of their applicable rate schedule that will enable the Company to complete the
(N) Qualified Infrastructure Program.

(N) The QIP Rider will be updated annually and subsequently adjusted to true-up the projected
(N) costs with the actual costs. The initial annual prospective QIP period will be the first full
(N) twelve month period following the Forecast Test Period utilized by the Commission in
(N) establishing Base Rates of the Company in its prior Base Rate Case proceeding. A filing
(N) with the projected costs for each twelve month QIP period will be submitted annually at
(N) least 90 days prior to the commencement of that QIP period, to become effective with the
(N) first day of the QIP period. The Company will submit a balancing adjustment annually no
(N) later than 90 days after the end of each 12 month QIP period to true-up the projected program
(N) costs and revenues, with the actuals for the same period. The balancing adjustment true-up
(N) to the rider will become effective 180 days after the end of the QIP period.

(N) The monthly QIP Rider charges for all respective water service classifications will be
(N) calculated as a percentage and applied to all water charges excluding any other surcharge or
(N) add-on taxes. It will be listed as a separate line item on the customer bill. The QIP
(N) percentage shall be calculated on an annual prospective basis. The QIP Rider charge
(N) effective on and after the effective date is:

(N) 0.00%

(N) indicates new rate or requirement

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

APPENDIX

Form of New Subdivision Extension Deposit Agreement for Off Site Facilities:

THIS AGREEMENT, entered into this _day of _____, _____by and between KENTUCKY AMERICAN WATER, a Kentucky corporation, having its office at 2300 Richmond Road, Lexington, Kentucky, hereinafter called "COMPANY", and _____, hereinafter called "SUBDIVIDER",

WITNESSETH:

THAT, WHEREAS, SUBDIVIDER is the present owner of a certain tract of land located within the service area of COMPANY, which tract is now being developed by SUBDIVIDER as a new subdivision or unit thereof (hereinafter called the subdivision), and

WHEREAS, the _____ Commission has heretofore approved a preliminary or final plat of said proposed subdivision, upon which plat the location and grade of streets, curbs, sidewalks, building plots, building lines and utility easements are depicted, a copy of which plat is annexed hereto and made a part hereof, marked Exhibit "B" for identification, and

WHEREAS, SUBDIVIDER desires the extension of the off site water mains and facilities of COMPANY on the site of said subdivision as hereinafter described,

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties hereto as hereinafter set forth, it is hereby agreed by and between the parties hereto as follows, to-wit:

FIRST: COMPANY contracts and agrees to lay the water main(s) and other related facilities, if any, as shown in red on the plat attached hereto and made a part hereof, marked Exhibit "B" for identification, which main(s) and facilities, if any, are described and located as follows:

SECOND: It is expressly understood and agreed that if COMPANY shall be delayed or prevented from installing the water main(s) and other related facilities, if any, hereinabove described because of its failure to secure pipe or other construction materials, or for any other causes beyond its control, such failure or delay in performance shall be excused; provided, however, if such failure or delay in performance shall extend for a period of more than ninety (90) days from date of deposit, SUBDIVIDER shall have the right to cancel and terminate this agreement on thirty (30) days' written notice to COMPANY, and thereafter both parties shall be relieved of all duties

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

APPENDIX

Form of New Subdivision Extension Deposit Agreement for Off Site Facilities:

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WITNESSETH:

THAT, WHEREAS, SUBDIVIDER is the present owner of a certain tract of land located within the service area of COMPANY, which tract is now being developed by SUBDIVIDER as a new subdivision or unit thereof (hereinafter called the subdivision), and

WHEREAS, the _____ Commission has heretofore approved a preliminary or final plat of said proposed subdivision, upon which plat the location and grade of streets, curbs, sidewalks, building plots, building lines and utility easements are depicted, a copy of which plat is annexed hereto and made a part hereof, marked Exhibit "B" for identification, and

WHEREAS, SUBDIVIDER desires the extension of the off site water mains and facilities of COMPANY on the site of said subdivision as hereinafter described,

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties hereto as hereinafter set forth, it is hereby agreed by and between the parties hereto as follows, to-wit:

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ISSUED: **November 28, 2018**
EFFECTIVE: **December 28, 2018**

Approved:

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

and obligations arising hereunder. But this right to cancel and terminate by SUBDIVIDER shall not be invoked if COMPANY has received the construction material and SUBDIVIDER has made the deposit as hereinafter required, in which event COMPANY shall have the obligation to prosecute the work diligently to its completion.

THIRD: SUBDIVIDER hereby agrees to deposit with COMPANY, upon notice from COMPANY that it is prepared and able to go forward with the work provided in Paragraph FIRST hereof, the sum of _____, which sum is the presumed cost of installation of said off site main(s) and related facilities, if any, as determined under Section C(4) of Rule 10.3 of COMPANY'S Rules and Regulations. No adjustment in deposit will be made, either by way of adding to or reducing the deposit required hereunder, because of a variance between the presumed cost mentioned herein and the actual cost of installation of such main(s) and related facilities, if any.

FOURTH: SUBDIVIDER represents to and covenants with COMPANY that the number of residential and/or commercial building plots to be developed within the whole of said subdivision, as shown on the plat attached hereto as Exhibit "B", being a total of _____building plots, will not be decreased in the final plats of said subdivision as the same are hereafter recorded in the office of the Clerk of the Fayette County Court. Upon such representation and covenant, COMPANY hereby agrees to refund to SUBDIVIDER during the period of ten (10) years from the actual date of deposit, an amount equal to _____ of the total deposit made by SUBDIVIDER under the terms of Paragraph THIRD above, being the sum of _____, for each premises served within said subdivision (as said subdivision is depicted on the plat attached hereto and marked Exhibit "B" for identification) for which a street service connection shall be directly attached to the mains constructed on the site of such subdivision between their original beginning and original termini (not including, however, connections to further extensions or branches thereof, and being limited to one such service connection per building plot) and for which a bona fide residential or commercial customer has executed a service contract with COMPANY, provided, however, that the total amount returned shall not exceed the original deposit, without interest, and that all or any part of the deposit not refunded within said ten (10) year period shall become the property of COMPANY.

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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ISSUED: **November 28, 2018**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

FIFTH: SUBDIVIDER may request refunds under Paragraph FOURTH, once in each calendar quarter, furnishing COMPANY, at such time, a listing of premises claimed to be additional premises; however, failure on the part of SUBDIVIDER to make such request shall not constitute a waiver of any rights hereunder or relieve COMPANY of the obligation to make refunds with reasonable promptness.

SIXTH: SUBDIVIDER will furnish to COMPANY immediately upon recordation thereof in the office of the _____ County Court five (5) copies of the final plat of said subdivision or units thereof as approved by the _____ Commission.

SEVENTH: The ownership of the water main(s) laid hereunder shall at all times be in COMPANY, its successors and assigns.

EIGHTH: This Agreement shall be valid and binding on COMPANY only when executed by its President.

NINTH: This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

TENTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by registered mail to COMPANY at 2300 Richmond Road, Lexington, Kentucky and to SUBDIVIDER at _____.

ELEVENTH: This Agreement is entered into pursuant to the legally established Rules and Regulations of COMPANY and the words, phrases and terms hereof are to be understood and interpreted in conformity with said Rules and Regulations, which are hereby incorporated herein by reference.

Executed by the parties hereto in duplicate this the day and year first above written.

WITNESS: **KENTUCKY AMERICAN WATER**

_____ By: _____
(Director of Engineering)

_____

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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Executed by the parties hereto in duplicate this the day and year first above written.

WITNESS: **KENTUCKY AMERICAN WATER**

_____ By: _____
(Director of Engineering)

_____

ISSUED: **November 28, 2018**
EFFECTIVE: **December 28, 2018**

Approved:

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

(Date)

DEPOSITOR(S):

_____

_____

_____

Phone #: _____

Fax #: _____

Email: _____

WITNESS:

_____ By:_____
(Signature)

_____
(Print or type name)

_____
(Title/Position)

ISSUED: **August 10, 2018**
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ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

(Date)

DEPOSITOR(S):

_____

_____

_____

Phone #: _____

Fax #: _____

Email: _____

WITNESS:

_____ By:_____
(Signature)

_____
(Print or type name)

_____
(Title/Position)

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EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

Form of New Subdivision Extension Deposit Agreement for On Site Facilities:

THIS AGREEMENT, entered into this _____ day of _, 20___, by and between KENTUCKY AMERICAN WATER, a Kentucky corporation, having its office at 2300 Richmond Road, Lexington, Kentucky, hereinafter called "COMPANY" and _____, hereinafter called "SUBDIVIDER",

WITNESSETH:

THAT, WHEREAS, SUBDIVIDER is the present owner of a certain tract of land located within the service area of COMPANY, which tract is now being developed by SUBDIVIDER as a new subdivision or unit thereof (hereinafter called the subdivision), and

WHEREAS, the _____ has heretofore approved a preliminary or final plat of said proposed subdivision, upon which plat the location and grade of streets, curbs, sidewalks, building plots, building lines and utility easements are depicted, a copy of which plat is annexed hereto and made a part hereof, marked Exhibit 'A' for identification, and

WHEREAS, SUBDIVIDER desires the extension of the water mains and facilities of COMPANY on the site of said subdivision as hereinafter described,

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties hereto as hereinafter set forth, it is hereby agreed by and between the parties hereto as follows, to-wit:

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SECOND: It is expressly understood and agreed that if COMPANY shall be delayed or prevented from installing the water main(s) and other related facilities, if any, hereinabove described because of its failure to secure pipe or other construction materials, or for any other cause beyond its control, such failure or delay in performance shall be excused; provided, however, if such failure or delay in performance shall extend for a period of more than ninety (90) days from date of deposit, SUBDIVIDER shall have the right to cancel and terminate this agreement on thirty (30) days' written notice to COMPANY, and thereafter both parties shall be relieved of all duties and obligations arising hereunder. But this right to cancel and terminate by SUBDIVIDER shall not be invoked if COMPANY has received the construction material and SUBDIVIDER has made the deposit as hereinafter required, in which event COMPANY shall have the obligation to prosecute the work diligently to its completion.

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
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ISSUED: **November 28, 2018**
EFFECTIVE: **December 28, 2018**

Approved:

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

THIRD: SUBDIVIDER hereby agrees to deposit with COMPANY, upon notice from COMPANY, that it is prepared and able to go forward with the work provided in Paragraph FIRST hereof, the sum of _____, which sum is the presumed cost of installation of said on-site mains and related facilities, if any, as determined under Section C(4) of Rule 10.3 of COMPANY'S Rules and Regulations. No adjustment in deposit will be made, either by way of adding to or reducing the deposit required hereunder, because of a variance between the presumed cost mentioned herein and the actual cost of installation of such main(s) and related facilities, if any.

FOURTH: SUBDIVIDER represents to and covenants with COMPANY that the number of residential and/or commercial building plots to be developed within said subdivision, as shown on the plat attached hereto as Exhibit "A", being a total of _____ building plots which, according to Section A(2) of Rule 10.3 of COMPANY's Rules and Regulations, is equal to _____ lots, will not be decreased in the final plat of said subdivision as the same is hereafter recorded in the office of the Clerk of the Fayette County Court. Upon such representation and covenant, COMPANY hereby agrees to refund to SUBDIVIDER, during the period of ten (10) years from the actual date of deposit, an amount equal to _____ of the total deposit made by SUBDIVIDER under the terms of Paragraph THIRD above, being the sum _____, for each premises served within said subdivision (as said subdivision is depicted on Exhibit "A" attached hereto) for which a street service connection shall be directly attached to the main extension herein provided between its original beginning and original terminus (not including, however, connections to further extensions or branches thereof, and being limited to one such service connection per building plot) and for which a bona fide residential or commercial customer has executed a service contract with COMPANY, provided, however, that the total amount returned shall not exceed the original deposit, without interest, and that all or any part of the deposit not refunded within said ten (10) year period shall become the property of COMPANY.

FIFTH: SUBDIVIDER may request refunds under Paragraph FOURTH, once in each calendar quarter, furnishing COMPANY, at such time, a listing of premises claimed to be additional premises; however, failure on the part of SUBDIVIDER to make such request shall not constitute a waiver of any rights hereunder or relieve COMPANY of the obligation to make refunds with reasonable promptness.

SIXTH: As a material consideration for COMPANY'S agreement to design and construct all or some portion of the main(s) and related facilities, if any, described on Exhibit "A" and in Paragraph FIRST hereof on the basis of a preliminary plat of said subdivision, without withholding or delaying such action until a final plat thereof has been approved by the Planning and Zoning Commission and recorded in the office of the Clerk of the Fayette County Court, SUBDIVIDER represents to COMPANY and covenants with COMPANY that the location and grade of streets, sidewalks, curbs, building plots, building lines and utility easements as depicted on the preliminary plat attached hereto as Exhibit "A" will not be altered or changed in any respect in the final plat of said subdivision, as

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

THIRD: SUBDIVIDER hereby agrees to deposit with COMPANY, upon notice from COMPANY, that it is prepared and able to go forward with the work provided in Paragraph FIRST hereof, the sum of _____, which sum is the presumed cost of installation of said on-site mains and related facilities, if any, as determined under Section C(4) of Rule 10.3 of COMPANY'S Rules and Regulations. No adjustment in deposit will be made, either by way of adding to or reducing the deposit required hereunder, because of a variance between the presumed cost mentioned herein and the actual cost of installation of such main(s) and related facilities, if any.

FOURTH: SUBDIVIDER represents to and covenants with COMPANY that the number of residential and/or commercial building plots to be developed within said subdivision, as shown on the plat attached hereto as Exhibit "A", being a total of _____ building plots which, according to Section A(2) of Rule 10.3 of COMPANY's Rules and Regulations, is equal to _____ lots, will not be decreased in the final plat of said subdivision as the same is hereafter recorded in the office of the Clerk of the Fayette County Court. Upon such representation and covenant, COMPANY hereby agrees to refund to SUBDIVIDER, during the period of ten (10) years from the actual date of deposit, an amount equal to _____ of the total deposit made by SUBDIVIDER under the terms of Paragraph THIRD above, being the sum _____, for each premises served within said subdivision (as said subdivision is depicted on Exhibit "A" attached hereto) for which a street service connection shall be directly attached to the main extension herein provided between its original beginning and original terminus (not including, however, connections to further extensions or branches thereof, and being limited to one such service connection per building plot) and for which a bona fide residential or commercial customer has executed a service contract with COMPANY, provided, however, that the total amount returned shall not exceed the original deposit, without interest, and that all or any part of the deposit not refunded within said ten (10) year period shall become the property of COMPANY.

FIFTH: SUBDIVIDER may request refunds under Paragraph FOURTH, once in each calendar quarter, furnishing COMPANY, at such time, a listing of premises claimed to be additional premises; however, failure on the part of SUBDIVIDER to make such request shall not constitute a waiver of any rights hereunder or relieve COMPANY of the obligation to make refunds with reasonable promptness.

SIXTH: As a material consideration for COMPANY'S agreement to design and construct all or some portion of the main(s) and related facilities, if any, described on Exhibit "A" and in Paragraph FIRST hereof on the basis of a preliminary plat of said subdivision, without withholding or delaying such action until a final plat thereof has been approved by the Planning and Zoning Commission and recorded in the office of the Clerk of the Fayette County Court, SUBDIVIDER represents to COMPANY and covenants with COMPANY that the location and grade of streets, sidewalks, curbs, building plots, building lines and utility easements as depicted on the preliminary plat attached hereto as Exhibit "A" will not be altered or changed in any respect in the final plat of said subdivision, as

ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

finally approved by the Lexington-Fayette County Planning and Zoning Commission and as recorded in the office of the Clerk of the Fayette County Court. In the event the location or grade of streets, sidewalks, curbs, building plots, building lines or utility easements be altered, amended or changed in the final plat or in an amended plat of said subdivision as approved by said Commission or as recorded in the office of said Clerk, whether such changes are made with or without the consent of SUBDIVIDER, or in the event a final plat is not approved or recorded, and in event such alteration, amendment, change, failure of approval or of recording requires, in the sole judgment of COMPANY, the relocation, removal, replacement, reconstruction, change in size or addition to the main(s) and related facilities to be constructed by COMPANY pursuant to the Agreement, SUBDIVIDER will immediately, upon demand from COMPANY, pay to COMPANY the actual cost to COMPANY of making such relocations, removals, replacements, changes in sizes and additions to such main(s) and related facilities, if any, so required in the sole judgment of COMPANY, as a result of such changes in location or grade of streets, sidewalks, curbs, building plots, building lines or utility easements. No part of the sums payable to COMPANY by SUBDIVIDER under the terms and provisions of this Paragraph SIXTH shall be subject to refund to SUBDIVIDER. In event SUBDIVIDER fails to pay to COMPANY such sums as may be demanded by COMPANY under provisions of this Paragraph SIXTH within ten (10) days from such demand, COMPANY shall have the right, in addition to and not in limitation of all other remedies, which right shall be superior to the rights of any intervening assignee or creditor of SUBDIVIDER, to apply refunds coming due under Paragraph FOURTH of the Agreement to the reduction and extinguishment of the debt of SUBDIVIDER to COMPANY under terms of this Paragraph SIXTH.

SEVENTH: By execution of this Agreement, SUBDIVIDER grants unto COMPANY, its successors and assigns, the permanent right and privilege to lay and construct its main(s) and related facilities, if any, on, over and through the lands of SUBDIVIDER at the locations depicted on Exhibit "A" and described in Paragraph FIRST above, together with the right to enter upon the adjacent lands of SUBDIVIDER for the purpose of installing, construction, repairing, renewing, replacing and inspecting such main(s) and related facilities, if any.

EIGHTH: SUBDIVIDER will furnish to COMPANY immediately upon recordation thereof in the office of the Clerk of _____ five (5) copies of the final plat of said subdivision as approved by the _____.

NINTH: The ownership of the water main(s) laid hereunder shall at all times be in COMPANY, its successors and assigns.

TENTH: This Agreement shall be valid and binding on COMPANY only when executed by its Director of Engineering.

ELEVENTH: This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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ELEVENTH: This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

ISSUED: **November 28, 2018**
EFFECTIVE: **December 28, 2018**

Approved:

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

TWELFTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by registered mail to COMPANY at 2300 Richmond Road, Lexington, Kentucky and to SUBDIVIDER at _____.

THIRTEENTH: This Agreement is entered into pursuant to the legally established Rules and Regulations of COMPANY and the words, phrases and terms hereof are to be understood and interpreted in conformity with said Rules and Regulations, which are hereby incorporated herein by reference.

Executed by the parties hereto in duplicate this the day and year first above written.

WITNESS: *KENTUCKY AMERICAN WATER*

_____By: _____
(Director of Engineering)

_____
(Date)

SUBDIVIDER:

_____
_____
_____

Phone #:_____

Fax #: _____

Email: _____

WITNESS:

_____By: _____
(Signature)

_____
(Print or type name)

ISSUED: **August 10, 2018**
EFFECTIVE: **September 10, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

TWELFTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by registered mail to COMPANY at 2300 Richmond Road, Lexington, Kentucky and to SUBDIVIDER at _____.

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Executed by the parties hereto in duplicate this the day and year first above written.

WITNESS: *KENTUCKY AMERICAN WATER*

_____By: _____
(Director of Engineering)

_____
(Date)

SUBDIVIDER:

_____
_____
_____

Phone #:_____

Fax #: _____

Email: _____

WITNESS:

_____By: _____
(Signature)

_____
(Print or type name)

ISSUED: **November 28, 2018**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

(Title/Position)

ISSUED: August 10, 2018
EFFECTIVE: September 10, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

(Title/Position)

ISSUED: November 28, 2018
EFFECTIVE: December 28, 2018

ISSUED BY: /s/ Nick O. Rowe
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Approved:

APPLICATION FOR SPECIAL CONNECTION

Account No.	
Contract No.	
WBS Element No.	

This Application, made in duplicate this _____day of _____, 20_____, by _____, hereinafter called the "APPLICANT", to KENTUCKY AMERICAN WATER, a Kentucky corporation located at 2300 Richmond Road, Lexington, Kentucky, 40502, hereinafter called the 'WATER COMPANY."

The APPLICANT, upon the terms and conditions hereinafter set forth, hereby applies to the WATER COMPANY for a private service, consisting of the right to connect a service pipe to a public water main on _____ in Lexington and attach to said service pipe the following fixtures and openings:

One (1) _____-inch fire service to supply _____; one _____-inch service line, post indicator and valve with all related fittings to supply a sprinkler system of approximately _____ sprinkler heads, covering approximately _____ square feet of _____ space;

all of which fixtures and openings to be located within or upon the premise of the APPLICANT abutting the street on which the said main of the WATER COMPANY is located.

In consideration for which privilege the APPLICANT agrees to be bound by all the terms and conditions of this Application and pay the WATER COMPANY for private fire protection service at the schedule of rates in effect from time to time during the rendition of such service.

The further terms and conditions upon which this Application may be accepted by the WATER COMPANY are as follows:

FIRST: That this Application and the acceptance thereof by the WATER COMPANY may be subject to the prior approval of the fire department having jurisdiction of the premises to be served.

SECOND: That the entire service system on APPLICANT's premises shall be subject to the inspection, test and approval of the WATER COMPANY, and the WATER COMPANY by its representatives, shall have the right to enter the premises of the APPLICANT at any reasonable time for the purpose of making such reasonable inspections as it may deem necessary, and to insure compliance with the terms and conditions of this Application.

THIRD: That all pipes and appurtenances shall be constructed and maintained in good condition by and at the expense of the APPLICANT.

FOURTH: That a fire line meter or detector device, approved by both the WATER COMPANY and the fire underwriters, will be required on the service at a location approved by the WATER COMPANY. Such meter or device shall be installed and maintained by and at the cost and expense of the APPLICANT, but subject to the inspection and approval of the WATER COMPANY. The bypass meter only, used with the detector device, shall be furnished, installed and maintained by the WATER COMPANY at its cost and expense.

FIFTH: That a gate valve with the post indicator controlling the entire supply shall be placed at the curb or property line of the street in which the main is located or at such other point as may be approved by the WATER COMPANY, and shall be furnished, installed and maintained by and at the expense of the APPLICANT, and unless otherwise approved by the WATER COMPANY, said valve shall be installed in a valve pit or vault which shall also be furnished, installed and maintained by and at the expense of the APPLICANT.

SIXTH: That all hydrants and other fixtures connected to any private fire protection service system shall be kept closed and sealed, and not opened or used except during times of fire or testing. Upon extinguishment of each fire or following each test, the APPLICANT shall immediately close such fixtures and notify the WATER COMPANY so that they may be sealed. Whenever a private fire protection service system is to be tested, the APPLICANT shall notify the WATER COMPANY at least two business days in advance of such proposed test, requesting approval of the method, day and hour on which it is to be made.

SEVENTH: That no antifreeze or any other substance not specifically approved by the Environmental Protection Agency as non-detrimental to the public water supply, shall be introduced into sprinkling systems or into any pipe, fixture, appurtenance or other portion of the APPLICANT's private fire protection service system.

EIGHTH: That the APPLICANT understands and agrees that the extent of the rights of the APPLICANT under this Application is to receive, at times of fire on said premises, such supply of water as shall then be available and no other or greater quantity. The APPLICANT further acknowledges and agrees the WATER COMPANY shall not be considered in any way or manner an insurer of property or persons, or to have undertaken to extinguish fire or to protect any persons or property against loss or damage by fire, or otherwise, and the WATER COMPANY shall be free and exempt from any and all claims for damages on account of any injury to property or persons by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever.

NINTH: That this Application does not contemplate uses of fixtures other than those shown on Exhibit A. Any waste of water or use of water through this connection for purposes other than testing or the extinguishment of fire, shall be deemed a violation of the terms and conditions of this Application and of the rules, regulations and conditions of service of the WATER COMPANY.

TENTH: That if private fire hydrants are included as part of this Application, they shall be painted any color other than that adopted by the WATER COMPANY for public fire hydrants.

ELEVENTH: That the APPLICANT shall furnish, attach and make a part hereof marked Exhibit A, three (3) complete sets of drawings showing the pipes, pumps, valves, hydrants, sprinkler systems, hose outlets and connections, standpipes, tanks and other openings and appurtenances contemplated in this Application. Such drawings, which shall be stamped "Approved" by the Insurance Services Office or other comparable agency approved by the WATER COMPANY, must also show all other water supply systems and pipelines and appurtenances which are proposed or which may exist on the premises to be served.

TWELFTH: That no pipe, fixture or appurtenance connected with the private fire protection service served by this Application shall be connected with any pipe, fixture or appurtenance supplied with water from any other source, unless specifically approved in writing by the WATER COMPANY.

THIRTEENTH: That the APPLICANT agrees to obtain in writing in advance the appro[illegible]nge, alteration, addition or deletion contemplated in the pipes, fixtures, openings and appurtenances and us[illegible]oval of the WATER COMPANY, APPLICANT agrees that, except for those facilities which the WATER C[illegible] and maintain, APPLICANT is and will be solely responsible for the design, adequacy, function a[illegible]d mainte[illegible], ite[illegible] referred to in this Application.

KENTUCKY
PUBLIC SERVICE COMMISSION
Joseph A. Arnold
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

APPLICATION FOR SPECIAL CONNECTION

Account No.	
Contract No.	
WBS Element No.	

This Application, made in duplicate this _____day of _____, 20 ____ _____, by _____,
hereinafter called the "APPLICANT", to KENTUCKY AMERICAN WATER, a Kentucky corporation located at 2300 Richmond Road, Lexington, Kentucky, 40502, hereinafter called the 'WATER COMPANY."

The APPLICANT, upon the terms and conditions hereinafter set forth, hereby applies to the WATER COMPANY for a private service, consisting of the right to connect a service pipe to a _____ public water main on in Lexington and attach to said service pipe the following fixtures and openings:

One (1) _____-inch fire service to _____ supply ; one _____-inch service line, post indicator and valve with all related fittings to supply a sprinkler system of approximately _____ sprinkler heads, covering approximately _____ square feet of _____ space;

all of which fixtures and openings to be located within or upon the premise of the APPLICANT abutting the street on which the said main of the WATER COMPANY is located.

In consideration for which privilege the APPLICANT agrees to be bound by all the terms and conditions of this Application and pay the WATER COMPANY for private fire protection service at the schedule of rates in effect from time to time during the rendition of such service.

The further terms and conditions upon which this Application may be accepted by the WATER COMPANY are as follows:

FIRST: That this Application and the acceptance thereof by the WATER COMPANY may be subject to the prior approval of the fire department having jurisdiction of the premises to be served.

SECOND: That the entire service system on APPLICANT's premises shall be subject to the inspection, test and approval of the WATER COMPANY, and the WATER COMPANY by its representatives, shall have the right to enter the premises of the APPLICANT at any reasonable time for the purpose of making such reasonable inspections as it may deem necessary, and to insure compliance with the terms and conditions of this Application.

THIRD: That all pipes and appurtenances shall be constructed and maintained in good condition by and at the expense of the APPLICANT.

FOURTH: That a fire line meter or detector device, approved by both the WATER COMPANY and the fire underwriters, will be required on the service at a location approved by the WATER COMPANY. Such meter or device shall be installed and maintained by and at the cost and expense of the APPLICANT, but subject to the inspection and approval of the WATER COMPANY. The bypass meter only, used with the detector device, shall be furnished, installed and maintained by the WATER COMPANY at its cost and expense.

FIFTH: That a gate valve with the post indicator controlling the entire supply shall be placed at the curb or property line of the street in which the main is located or at such other point as may be approved by the WATER COMPANY, and shall be furnished, installed and maintained by and at the expense of the APPLICANT, and unless otherwise approved by the WATER COMPANY, said valve shall be installed in a valve pit or vault which shall also be furnished, installed and maintained by and at the expense of the APPLICANT.

SIXTH: That all hydrants and other fixtures connected to any private fire protection service system shall be kept closed and sealed, and not opened or used except during times of fire or testing. Upon extinguishment of each fire or following each test, the APPLICANT shall immediately close such fixtures and notify the WATER COMPANY so that they may be sealed. Whenever a private fire protection service system is to be tested, the APPLICANT shall notify the WATER COMPANY at least two business days in advance of such proposed test, requesting approval of the method, day and hour on which it is to be made.

SEVENTH: That no antifreeze or any other substance not specifically approved by the Environmental Protection Agency as non-detrimental

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

FOURTEENTH: That the WATER COMPANY has the right to discontinue or disconnect the service pipe herein applied for, and to terminate service under this Application, after due written notice to the APPLICANT, for failure to pay any bill when due, for failure to supply information to WATER COMPANY about the service system when so requested in writing, for leakage within APPLICANT's system, for violation of any of the terms and conditions of this Application, or for any violation of its rules, regulations and conditions of service; and the WATER COMPANY also has the right to shut off all or any part of its facilities by the WATER COMPANY(1) if a condition dangerous or hazardous to life, physical safety or property exists, (2) upon order by any court, the Public Service Commission or other duly authorized public authority, (3) if fraudulent or unauthorized use of water by APPLICANT is detected, or if the WATER COMPANY's regulating or measuring equipment has been tampered with by the APPLICANT.

FIFTEENTH: That upon acceptance of this Application by the WATER COMPANY and the completion of the installation of the service applied for, this Application shall be in full force and effect as a contract and shall continue as such until cancelled by written notice given thirty (30) days in advance by the APPLICANT to the WATER COMPANY, except as otherwise provided in numbered paragraph (14) above.

SIXTEENTH: The acceptance of this Application by the WATER COMPANY must be executed by its Director of Engineering before same becomes effective.

SEVENTEENTH: If ownership of the property served by the service applied for herein changes, notice thereof shall be given to the WATER COMPANY within thirty (30) days and the new owner shall be identified by name, address and proper person to contact.

EIGHTEENTH: That the APPLICANT or his agent is responsible for payment of the deposit for the estimated cost of construction to WATER COMPANY. To the extent there is any refund to be made at the end of the project after all costs are accrued, such refund will be paid to the APPLICANT by check made payable to the APPLICANT. To the extent that any amount is owed to WATER COMPANY at the end of the project after all costs are accrued, payment of such amounts is the responsibility of the APPLICANT. To the extent the APPLICANT owes any of the refunded amount to the contractors, APPLICANT agrees it is responsible for these amounts owed and that WATER COMPANY has no responsibility in that regard.

IN WITNESS WHEREOF, the APPLICANT has hereunto signed the day and year:

_____

_____

_____

* Phone: _____

Fax: _____

* Email: _____

_____ _____

Witness Signature *Signature and Title of APPLICANT or Duly Authorized Representative*

APPROVED this _____ day of _____, 20 _____.

_____ _____

Witness Signature *Chief of Fire Department*

County/City of _____

WATER COMPANY hereby accepts the foregoing Application this _____ day of _____, 20 _____.

_____ _____ _____

Witness Signature *Director of Engineering* *Date*

KENTUCKY
PUBLIC SERVICE COMMISSION
Gwen R. Pinson
Executive Director
Gwen R. Pinson
EFFECTIVE
9/10/2018
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

to the public water supply, shall be introduced into sprinkling systems or into any pipe, fixture, appurtenance or other portion of the APPLICANT's private fire protection service system.

EIGHTH: That the APPLICANT understands and agrees that the extent of the rights of the APPLICANT under this Application is to receive, at times of fire on said premises, such supply of water as shall then be available and no other or greater quantity. The APPLICANT further acknowledges and agrees the WATER COMPANY shall not be considered in any way or manner an insurer of property or persons, or to have undertaken to extinguish fire or to protect any persons or property against loss or damage by fire, or otherwise, and the WATER COMPANY shall be free and exempt from any and all claims for damages on account of any injury to property or persons by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever.

NINTH: That this Application does not contemplate uses of fixtures other than those shown on Exhibit A. Any waste of water or use of water through this connection for purposes other than testing or the extinguishment of fire, shall be deemed a violation of the terms and conditions of this Application and of the rules, regulations and conditions of service of the WATER COMPANY.

TENTH: That if private fire hydrants are included as part of this Application, they shall be painted any color other than that adopted by the WATER COMPANY for public fire hydrants.

ELEVENTH: That the APPLICANT shall furnish, attach and make a part hereof marked Exhibit A, three (3) complete sets of drawings showing the pipes, pumps, valves, hydrants, sprinkler systems, hose outlets and connections, standpipes, tanks and other openings and appurtenances contemplated in this Application. Such drawings, which shall be stamped "Approved" by the Insurance Services Office or other comparable agency approved by the WATER COMPANY, must also show all other water supply systems and pipelines and appurtenances which are proposed or which may exist on the premises to be served.

TWELFTH: That no pipe, fixture or appurtenance connected with the private fire protection service served by this Application shall be connected with any pipe, fixture or appurtenance supplied with water from any other source, unless specifically approved in writing by the WATER COMPANY.

THIRTEENTH: That the APPLICANT agrees to obtain in writing in advance the approval of the WATER COMPANY for any change, alteration, addition or deletion contemplated in the pipes, fixtures, openings and appurtenances and uses herein specified. Notwithstanding the approval of the WATER COMPANY, APPLICANT agrees that, except for those facilities which the WATER COMPANY had specifically agreed to provide and maintain, APPLICANT is and will be solely responsible for the design, adequacy, function and maintenance of its private fire protection service system referred to in this Application.

FOURTEENTH: That the WATER COMPANY has the right to discontinue or disconnect the service pipe herein applied for, and to terminate service under this Application, after due written notice to the APPLICANT, for failure to pay any bill when due, for failure to supply information to WATER COMPANY about the service system when so requested in writing, for leakage within APPLICANT's system, for violation of any of the terms and conditions of this Application, or for any violation of its rules, regulations and conditions of service; and the WATER COMPANY also has the right to shut off all or any part of its facilities by the WATER COMPANY(1) if a condition dangerous or hazardous to life, physical safety or property exists, (2) upon order by any court, the Public Service Commission or other duly authorized public authority, (3) if fraudulent or unauthorized use of water by APPLICANT is detected, or if the WATER COMPANY's regulating or measuring equipment has been tampered with by the APPLICANT.

FIFTEENTH: That upon acceptance of this Application by the WATER COMPANY and the completion of the installation of the service applied for, this Application shall be in full force and effect as a contract and shall continue as such until cancelled by written notice given thirty (30) days in advance by the APPLICANT to the WATER COMPANY, except as otherwise provided in numbered paragraph (14) above.

SIXTEENTH: The acceptance of this Application by the WATER COMPANY must be executed by its Director of Engineering before same becomes effective.

SEVENTEENTH: If ownership of the property served by the service applied for herein changes, notice thereof shall be given to the WATER COMPANY within thirty (30) days and the new owner shall be identified by name, address and proper person to contact.

EIGHTEENTH: That the APPLICANT or his agent is responsible for payment of the deposit for the estimated cost of construction to WATER COMPANY. To the extent there is any refund to be made at the end of the project after all costs are accrued, such refund will be paid to the APPLICANT by check made payable to the APPLICANT. To the extent that any amount is owed to WATER COMPANY at the end of the project after all costs are accrued, payment of such amounts is the responsibility of the APPLICANT. To the extent the APPLICANT owes any of the refunded amount to the contractors, APPLICANT agrees it is responsible for these amounts owed and that WATER COMPANY has no responsibility in that regard.

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

Not currently in tariff

IN WITNESS WHEREOF, the APPLICANT has hereunto signed the day and year:

* Phone:_____

Fax: _____

* Email:_____

_____
Witness Signature

_____
Signature and Title of APPLICANT or Duly Authorized Representative

APPROVED this _____ day of _____, 20 _____.

_____
Witness Signature

Chief of Fire Department

County/City of _____

WATER COMPANY hereby accepts the foregoing Application this _____ day of _____, 20_____.

Witness Signature | *Director of Engineering* | *Date*

ISSUED: **November 28, 2018** **Approved:**
EFFECTIVE: **December 28, 2018**

ISSUED BY: **/s/ Nick O. Rowe**
Nick O. Rowe
President
2300 Richmond Road, Lexington, KY 40502

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 4

Description of Filing Requirement:

Certified copy of the Company's Articles of Incorporation with all Amendments.

Response:

See attached.

For electronic version, see KAW_APP_EX04_112818.pdf.

COMMONWEALTH OF KENTUCKY

Alison Lundergan Grimes
Secretary of State

Certificate

I, Alison Lundergan Grimes, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

AMENDED AND RESTATED ARTICLES OF

KENTUCKY-AMERICAN WATER COMPANY FILED DECEMBER 6, 2013.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 16th day of November, 2018.

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
dwilliams/0027327 - Certificate ID: 209210

0027327.09 amcray AMD
Alison Lundergan Grimes
Kentucky Secretary of State
Received and Filed:
12/6/2013 2:22 PM
Fee Receipt: $80.00

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF KENTUCKY-AMERICAN WATER COMPANY

The undersigned, Kentucky-American Water Company (the "Corporation"), hereby restates and amends in its entirety its Articles of Incorporation, as amended and duly adopted on November 22, 2013 pursuant to KRS 271B.10-030 by the affirmative vote of the shareholders of the Corporation entitled to vote. These Amended and Restated Articles of Incorporation shall be effective on the date approved by the Kentucky Secretary of State.

ARTICLE I

The name of the corporation is Kentucky-American Water Company (the "Corporation").

ARTICLE II

The registered agent of the Corporation is CT Corporation System, 306 W. Main Street, Suite 512, Frankfort, KY 40601. The Principal Office is 2300 Richmond Road, Lexington, KY 40502.

ARTICLE III

Current Article Language:
The capital stock which the Corporation shall be authorized to have is: Two million one hundred fifty thousand (2,150,000) shares consisting of 150,000 shares of Preference Stock, with a par value of $100 each, for an aggregate par value of Fifteen Million dollars ($15,000,000), and 2,000,000 shares of Common Stock, having no par value.

ARTICLE IV

The preferences, qualifications, limitations, restrictions, and the special and relative rights in respect of the shares of the Corporation's Preference and Common Stock are as follows:

PREFERENCE STOCK

(1) The shares of Preference Stock may be divided into and issued in series from time to time, as herein provided. All shares of reference Stock of all series, whether now or hereafter created, shall be of equal rank and all shares of any particular series of Preference Stock shall be identical except as to the date or dates from which dividends on such shares shall be cumulative, as provided by subdivision (2) of this Preference Stock section of Article Four of the Corporation's Amended and Restated Articles of Incorporation. The shares of Preference Stock of different series, subject to any applicable provisions of law, may vary as to the following relative rights and preferences, and restrictions and qualifications thereof, which shall be fixed by the Corporation's Board of Directors, in the case of each series, at any time prior to the issuance of any shares thereof, in the manner provided in this subdivision (1):

(a) the distinctive designation of such series and the number of shares which shall constitute such series;
(b) the annual dividend rate on shares of such series, and the date or dates from which dividends on shares of such series shall be cumulative (hereinafter

sometimes called the Date of Cumulation);

(c) the price or prices at which, and the terms and conditions on which, the shares of such series may be redeemed by the Corporation (hereinafter sometimes called the Redemption Prices);

(d) the amount or amounts payable upon the shares of such series in the event of voluntary liquidation, dissolution or winding up to the affairs of the Corporation (hereinafter sometimes called the Voluntary Liquidation Price);

(e) whether or not the shares of such series shall be entitle to the benefit of a Sinking Fund to be applied to the purchase or redemption of shares of such series, and if so entitled, the amount of such fund and the manner of its application, including the price or prices at which the shares of such series may be redeemed or purchased through the application of such fund;

(f) whether or not the shares of such series shall be made convertible into shares of any other class or of any other series of the same or any other class or classes of stock of the Corporation, and if made so convertible the conversion price or prices, and the adjustments thereof, if any, at which such conversion may be made, and any other terms and conditions of such conversion;

(g) any other preferences, and relative, participating, option or other special rights qualifications, limitations or restrictions thereof so far as they are not inconsistent with the provision of Article Four of the Corporation's Amended and Restated Articles of Incorporation and to the full extent now or hereafter permitted by the laws of Kentucky.

Shares of Preference Stock shall be issued only as fully-paid and non-assessable shares.

(2) Dividends.

(a) Out of any funds of the Corporation legally available therefor remaining after Accrued Dividends to the end of the then current quarterly dividend period upon the Preferred Stock of all series then outstanding shall have been paid or declared and a sum sufficient for the payment thereof set apart for such payment, and after the Corporation shall have complied with any Sinking Fund provisions with respect of any and all amount then or theretofore required to be set aside or applied in respect of any Sinking Funds for any series of Preferred Stock, then and not otherwise the holders of Preference Stock of each series shall, subject to the provisions of this Article Four of the Corporation's Amended and Restated Articles of Incorporation and the terms of any resolution of the Corporation's Board of Directors establishing and designating any series of the Preferred Stock and fixing and determining the relative rights and preferences thereof, be entitle to receive, when and as declared by the Board of Directors, dividends in cash at the rate per annum for such series fixed in accordance with subdivision (1) of this Preference Stock section of this Article Four, and no more, payable on the first days of January, April, July and October in each year (the quarterly period ending on the first day of such months, respectively, being herein designated as Dividend Periods), in each case from the Date of Cumulation of the particular shares of such series; provided that the initial dividend with respect to any particular shares of any series shall be payable on such of such dates as next succeeds the expiration of 30 days after the date of issue of the first shares of such series to be issued, unless otherwise determined by the Board of Directors in any resolution establishing and designating any series of Preference Stock and fixing and determining the relative rights and preferences thereof. Such dividends shall be

cumulative in the case of all particular shares of each particular series as follows: (i) as to shares issued on or prior to the record date of the first dividend on shares of such series, the Date of Cumulation shall be as fixed for this purpose as provided in subdivision (1) above; (ii) as to shares issued during the period commencing the day after the record date for a dividend on shares of such series and terminating on the ensuing date of payment for such dividend, the Date of Cumulation shall be said date of payment; and (iii) as to shares issued any other time, the Date of Cumulation shall be the date of payment next preceding the date of issue of such shares, except if any shares are issued on a quarterly dividend payment date, the Date of Cumulation shall be such date. In addition (whether or not in any Dividend Period or Periods there shall be funds of the Corporation legally available for the payment of such dividends), if at any time accrued dividends upon the outstanding Preference Stock of all series to the end of the then current Dividend Period shall not have been paid or declared and a sum sufficient for the payment thereof set apart for such payment, the amount of the deficiency shall be fully paid, but without interest, or dividends in such amount declared on each such series and a sum sufficient for the payment thereof set apart for such payment, before any sum or sums shall be set aside for or applied to the purchase, redemption, Sinking Fund or other acquisition of Preference Stock of any series and before any dividend shall be declared or paid upon or set apart for, or any other distribution shall be orders or made in respect of, Subordinate Stock and before any shares of Subordinate Stock shall be purchased, redeemed, or otherwise acquired by the Corporation.

(b) No dividends shall be declared or paid on any particular series of Preference Stock to the exclusion of any other series thereof and all dividends declared on the Preference Stock of the respective series outstanding shall be declared pro rate, so that the amount of the dividend declared on any particular series of the Preference stock shall be in the proportion that the annual dividend requirements of the shares of such series bear to the total annual dividend requirements of the Preference Stock of all series at the time outstanding.

(3) Preference on Liquidation. In the event of any liquidation or dissolution or winding up of the Corporation, voluntary or involuntary, after there shall have been paid or set aside in cash for the holders of the Preferred Stock of all series then outstanding the full preferential amounts to which they are entitled under the provisions of Article Four of the Corporation Amended and Restated Articles of Incorporation, the holders of the Preference Stock of each series shall be entitle to receive, out of the Corporations available for distribution to its stockholders, before any distribution of assets shall be made to the holders of Subordinate Stock, (i) if such liquidation, dissolution or winding up shall be involuntary, the sum of $100 per share plus Accrued Dividends thereon to the Date of Final Distribution to the holders of the Preference Stock, and (ii) if such liquidation, dissolution or winding up shall be voluntary, the Voluntary Liquidation Price to the holders of the Preference Stock; and the holders of the Subordinate Stock shall be entitled, to the exclusion of the holders of the Preference Stock of any and all series, to share in all the assets of the Corporation then remaining as hereinafter provided. If upon any liquidation or dissolution or winding up of the Corporation the net assets of the Corporation shall be insufficient to pay the holders of all outstanding shares of the Preference Stock the full amounts to which they respectively shall be entitled, the holders of shares of Preference Stock of all series shall share ratably in any distribution

of assets according to the respective amounts which would be payable in respect to the shares held by them upon such distribution of all amounts payable on or with respect to the Preference Stock of all series were paid in full. Neither the merger nor consolidation of the Corporation into or with any other corporation, nor the merger or consolidation of any other corporation into or with the Corporation, nor a sale, transfer or lease of all or part of the assets of the Corporation, shall be deemed to be a liquidation, dissolution or winding up of the Corporation.

(4) Sinking Fund. Out of any funds of the Corporation legally available therefor remaining after Accrued Dividends to the end of the then current dividend period upon the Preferred Stock and the current Dividend Period upon the Preference Stock of all series then outstanding shall have been paid or declared and a sum sufficient for the payment thereof set apart for such payment, and after there have been set aside any sums with respect to any Sinking Funds for any series of Preferred Stock, and before any dividends shall be declared or paid upon or set apart for, or any other distribution shall be ordered or made in respect of, Subordinate Stock and before any dividends shall be declared or paid upon or set apart for, or any other distribution shall be ordered or made in respect of Subordinate Stock and before any shares of Subordinate Stock shall be purchased, redeemed or otherwise acquired by the Corporation, the Corporation shall set aside, in respect of each series of Preference Stock any shares which shall at the time be outstanding and in respect of which a Sinking Fund for the purchase or redemption thereof has been provided in accordance with this Preference Stock section of this Article Four, the sum or sums then or theretofore required to be set aside as a Sinking Fund, to be applied in the manner specified in the provisions creating such fund.

(5) Redemption.

(a) The Preference Stock, of all or any series, or any part thereof, at any time outstanding may, subject to any applicable restrictions with respect to the redemption of shares ranking junior to the Preferred Stock as to dividends or assets, be redeemed by the Corporation, at is election expressed by resolution of the Board of Directors, at any time or from time to time (which time, when fixed in each case and specified in the notice of redemption, is hereinafter called the Redemption Date), upon not less than 30 days previous notice to the holders of records of the Preference Stock to be redeemed, given by mail in such manner as may be prescribed by resolution of the Board of Directors (but not inadvertent failure to give such notice or any defect in the notice or giving thereof shall affect the validity of the proceedings for such redemption), at the Redemption Price then applicable to the Preference Stock to be redeemed, plus Accrued Dividends thereon to the redemption date; provided, however, that less than all the Preference Stock of all series there outstanding may be redeemed only after Accrued Dividends to the end of the then current Dividend Period upon the Preference Stock of all series than outstanding (other than the shares to be redeemed) shall have been paid or declared and a sum sufficient for the payment thereof set apart for such payment, and all Sinking Fund payment requirements with respect to the Preference Stock have been met. If less than all the outstanding Preference Stock of any series is to be redeemed, the selection of shares for redemption may be made either by lot or pro rate in such manner as may be prescribed by resolution of the Board of Directors. The Corporation may, if it shall so elect, deposit the amount of the Redemption Price plus such Accrued Dividends for the account of the holders of Preference Stock entitle thereto with a bank or trust corporation doing business in the

Commonwealth of Kentucky, and having capital and surplus of at least $5,000,000, at any time prior to the Redemption Date (the date of such deposit being hereinafter in this subdivision (5) referred to as the Date of Deposit).

(b) Notice of the Corporation's election to make such deposit including the Date of Deposit and the name and address of the bank or trust corporation with which the deposit has been or will be made, shall be included in the notice of redemption. On and after the Date of Deposit (unless default shall be made by the Corporation in providing moneys for the payment of the Redemption Price, plus such Accrued Dividend, pursuant to the notice of redemption), all dividends on the Preference Stock so called for redemption shall cease to accrue, and, notwithstanding that any certificate for shares of Preference Stock so called for redemption shall not have been surrendered for cancellation, the shares represented thereby shall no longer be deemed outstanding and all rights of the holders thereof as stockholders of the Corporation shall cease and terminate, except the right to receive the Redemption Price, plus such accrued Dividends, as hereinafter provided and except any conversion rights not theretofore expired. Such conversion rights, however, in any event shall cease and terminate upon the Redemption Date or upon any earlier date duly fixed for the termination of such rights. At any time on or after the Redemption Date, or if the Corporation shall elect to deposit their moneys for such redemption as herein provided, then at any time on or after the Date of Deposit, which time shall be specified by the Corporation in the notice of redemption but shall not be later than the Redemption Date, the respective holders of record of the Preference Stock to be redeemed shall be entitled to receive the Redemption Price, plus such Accrued Dividends, upon actual delivery to the Corporation or, in the event of such deposit, to the bank or trust corporation with which such deposit shall be made, or certificates for the shares to be redeemed, such certificates, if required, to be properly stamped for transfer and duly endorsed in blank. Any moneys so deposited which shall remain unclaimed by the holders of such Preference Stock at the end of two years after the Redemption Date shall be paid by such bank or trust corporation to the Corporation; provided, however, that all moneys so deposited which shall not be required for such redemption because of the exercise of any right of conversion shall be returned to the Corporation forthwith. Any interest accrued on moneys so deposited shall be paid to the Corporation from time to time.

(4) Restrictions on Certain Corporate Action; Other Voting Rights.

(a) So long as any shares of Preference Stock are outstanding, the consent of the holders of at least two-thirds, of the Preference Stock at the time outstanding, given in person or by proxy, either in writing without a meeting (if permitted by law) or by vote at any meeting called for the purpose, shall be necessary for effecting or validating any amendment, alteration or repeal of the Amended and Restated Articles of Incorporation, or By-laws of the Corporation which would:

(i) alter or change the preferences, special rights, or powers given to the Preference Stock so as to affect them adversely, or

(ii) increase the authorized number of, or increase or decrease the authorized number of shares of Preferred Stock, or

(iii) create any new class of stock ranking on a parity with or having preference over the Preference Stock as to dividends or assets, or create any obligating or security of the Corporation convertible into

or exchangeable for shares of stock of any class having such preference over the Preference Stock; provided, however, that if such amendment, alteration or repeal affects adversely the preferences. Special rights or powers given one or more but not all series of Preference Stock at the time outstanding, only the consent of the holders of at least two-thirds of all series so affected, voting together, shall be required; and provided, further that the amendment of the Amended and Restated Articles of Incorporation to create, or increase or decrease the authorized number of shares of, any Subordinate Stock or any obligation or security of the Corporation convertible into any such stock shall not be deemed to affect adversely the preferences, special rights or powers of the Preference Stock.

(b) If and whenever the dividends on the Preference Stock, regardless of series, shall be in arrears and such arrears shall aggregate an amount equal to or in excess of eight (8) quarterly dividends upon such stock, the number of directors then constituting the Board of Directors shall be increased by one and the holders of the Preference Stock, voting separately as a class, shall be entitled, at any annuals meeting of the stockholder or at a special meeting of the holders of the Preference Stock called as hereinafter provided, to elect the additional directors. Whenever all arrears in dividends on the Preference Stock then outstanding shall have been paid and dividends thereon for the current quarterly Dividend Period shall have been paid or declared and set aside for payment, then the rights of the holders of the Preference Stock to elect such additional director shall cease, but subject to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in dividends, and the term of office of the person elected as a director by the holders of the Preference Stock shall be reduced accordingly.

At any time after such voting power shall have been vested in the Preference Stock, the Secretary of the Corporation may, and upon written request of the holders of record of ten percent (10%) or more in amount of the Preference stock then outstanding, addressed to him at the principal office of the Corporation, shall, call a special meeting of the holders of the Preference Stock for the selection of the one director to be elected by them as herein provided, to be held within thirty (30) days after such call and at the place and upon the notice provided by law or by the By-laws of the Corporation for the holding of meetings of stockholders. If any such special meeting required to be called as above provide shall not be called by the Secretary within twenty (20) days after receipt of any such request, then the holders of record of ten percent (10%) or more in amount of the Preference Stock then outstanding may designate in writing one of their number to call such meeting, and the person so designated may call such meeting to be held at the place and upon the notice above provided, and for that propose shall have access to the stock books of the Corporation. If any such special meeting shall be called as above provided and if the holders of at least a majority of the Preference Stock then outstanding shall be present or represented by proxy at such meeting or any adjournment thereof, then the holders of at least a majority of the Preference Stock present or so represented at such meeting shall be entitle to elect the additional director above provided for. The director elected at any such special meeting

shall hold office until the nest annual meeting of the stockholders, unless his term of office shall sooner terminate as provided hereinabove. In case any vacancy shall occur with respect to the director elected by the holders of the Preference Stock, such directorship shall remain vacant unless the holders of record of ten percent (10%) or more of the Preference Stock shall request in writing a special meeting of said holder to fill said vacancy pursuant to the terms of this subdivision 6(b) at which meeting said vacancy will be so filled.

At any annual meeting of stockholders, the holders of at least a majority of the Preference Stock then outstanding, present or represented by proxy, shall constitute a quorum for the purpose of election of such additional director and the holders of at least a majority of the Preference Stock present or so represented at such meeting shall be entitle to elect the additional director above provided for.

(c) Except when required by law and as provided in subdivision 6(a)(i) hereof, whenever two or more series of Preference Stock are outstanding, no particular series of Preference Stock shall be entitled to vote or consent as a separate series shall be deemed to constitute but one class for any purpose for which a vote or consent of the stockholders by classes may now or hereafter be required.

(d) Holders of Preference Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote or consent, except as otherwise required by law.

(5) No Subscription or Preemptive Rights.

(a) No holder of the Preference Stock shall, as such holder, have any right to purchase or subscribe for (i) any stock of any class, or any warrant or warrants, option or options or other instrument or instruments that shall confer upon the holder or holders that of the right to subscribe for or purchase or receive from the Corporation any stock of any class or classes which the Corporation may issue or sell, whether or not such stock shall be convertible into or exchangeable for any other stock of the Corporation of any class or classes and whether or not such stock shall be unissued shares authorized by the Amended and Restated Articles of Incorporation or by any amendment thereto or shares of stock of the Corporation acquired by it after the issue thereof, or (ii) any obligation which the Corporation may issue or sell that shall be convertible into or exchangeable for any shares of stock of the Corporation of any class or classes, or to which shall be attached or appurtenant any warrant or warrants, option or options or other instrument or instruments that shall confer upon the holder or holders of such obligation the right to subscribe for or purchase or receive from the Corporation any shares of its stock of any class or classes.

(b) Upon any issue for money or other consideration of any stock of the Corporation that may be authorized from time to time no holder of stock, irrespective of the kind of such stock, shall have any preemptive or other right to subscribe for, purchase or receive any proportionate or other share of the stock so issued, but the Board of Directors may dispose of all or any portion of such stock as and when it may determine free of any such rights, whether by

offering the same to stockholders or by sale or other disposition as said Board may deem advisable.

(8) Definitions.

(a) The term "Subordinate Stock" as used in this Preference Stock section of this Article Four shall be deemed to mean all stock of any class of the Corporation ranking junior to the Preference Stock as to dividends or assets;

(b) The term "Sinking Fund" shall mean any fund or requirement for the periodic retirement of shares;

(c) The term "Accrued Dividends", with respect to any share of any series of Preferred and Preference Stock, shall mean an amount computed at the annual dividend rate for the series of which the particular share is a part, from the date on which dividends on such share become cumulative (called the "Date of Cumulation" with respect to the Preference Stock" to and including the date to which such dividends are to be accrued, less the aggregate amount of all dividends theretofore paid thereon;

(d) The term "Date of Final Distribution" shall mean the date on which distribution or payment in liquidation is actually made to the holders of Preference Stock; but if written notice of the terms and manner of distribution or payment shall have been mailed to the holders of Preference Stock by the Corporation (or by a receiver, trustee or other liquidator of the Corporation) at least five days prior to the date on which such distribution or payment shall be made available to such holders against surrender of their certificates, then the term "Date of Final Distribution" shall mean the date on which such distribution or payment has been made available to such holders against surrender of their certificates.

COMMON STOCK

(1) Dividends. Out of any assets of the Corporation legally available therefor remaining after Accrued Dividends to the end of the then current dividend period upon the Preferred Stock and Preference Stock of all series then outstanding shall have been paid or declared and the sum sufficient for the payment thereof set apart for such payment, and after setting aside the sum or sums there or theretofore required to be set aside as a Sinking Fund provided for any one or more series of the Preferred Stock and Preference Stock, then and not otherwise the holders of Common Stock shall, subject to the provisions of this Article Four of the Corporation's Amended and Restated Articles of Incorporation and of the terms of any resolution of the Board of Directors establishing and designating any series of the Preferred Stock or Preference Stock and fixing and determining the relative rights and preferences thereof, be entitled to receive such dividends as may from time to time be declared by the Board of Directors.

(2) Liquidation. In the event of any liquidation, dissolution or winding up of the Corporation, after there shall have been paid or set aside in case for the holders of the Preferred Stock and Preference Stock the full preferential amounts to which they are entitled under the provisions of this Article Four of the Corporation's Amended and Restated Articles of Incorporation, the holders of the Common Stock shall be entitled to receive pro rata all of the remaining assets of the Corporation available for distribution to its stockholders.

(3) Voting Rights; Cumulative Voting. At all meetings of the stockholders, every registered holder of Common Stock shall be entitled to vote and shall have one vote for each share standing in his name on the books of the Corporation on any record date fixed for such

purpose or, if no such date be fixed, on the date of such meeting; provided that (so long as the laws of Kentucky shall so require) in all elections for directors, such stockholder shall have the right to cast as many votes in the aggregate as he shall be entitled to vote hereunder multiplied by the number of directors to be elected at such election, and he may cast the whole number of votes for one candidate, or distribute such votes among two or more candidates.

ARTICLE V

8.47% SERIES PREFERENCE STOCK
45,000 shares, with a par value of $100 per share (herein sometimes referred to as the "8.47% Series")

The rights and preferences, and restrictions and qualification thereof, of the 8.47% Series, in addition to those set forth with respect to the Preference Stock in Article Four of the Charter and Articles of Incorporation of the Corporation, as amended (the Amended and Restated Articles of Incorporation as so amended being referred to as the "Amended and Restated Articles of Incorporation"), are hereby fixed as follows:

(a) The annual dividend rate payable on shares of the 8.47% Series shall be 8.47% of the par value of said shares, and no more, and the Date of Cumulation (as defined in Article Four of the Amended and Restated Articles of Incorporation) on all shares of the 8.47% Series issued prior to the record date for the first dividend shall be the date of issuance.

(b) (i) The shares of the 8.47% Series shall not be redeemable prior to December 1, 2001 at the option of the Corporation.

(ii) The shares of the 8.47% Series may be redeemed at any time, or from time to time, on or after December 1, 2001 at the option of the Corporation, in whole or in part, upon payment of a redemption price equal to the sum of (1) $100 per share plus (2) Accrued Dividends (as defined in Article Four of the Amended and Restated Articles of Incorporation) thereon to the date of redemption plus (3) a premium equal to the Make-Whole Premium (hereinafter defined).

The Make-Whole Premium shall be determined five (5) business days prior to the date fixed for redemption. Notice of the Make-Whole Premium, if any, together with the calculations, in reasonable detail, used to determine any such premium shall be given to each holder of the 8.47% Series on the day it is determined, by telecopy or other same-day communication.

"Make-Whole Premium" shall mean, in connection with any redemption, the excess, if any, of (i) the aggregate present value as of the date of such redemption of the par value of the shares of the 8.47% Series being redeemed and the amount of dividends (exclusive of dividends accumulated tot the date of redemption) that would have been payable in respect of such shares if such redemption had not been made (assuming all such shares would otherwise be redeemed on December 1, 2036), said present value to be determined by discounting such amount at the Reinvestment Rate (thereinafter defined) from the respective dates on which such amounts would have been payable, over (ii) 100% of the par value of the outstanding shares of the 8.47% Series being redeemed if the Reinvestment Rate is quail to or higher than 8.47%, the Make-Whole

Premium shall be zero.

"Reinvestment Rate" shall mean the sum of (i) 0.4% plus (ii) the arithmetic mean of the yields under the respective headings "This Week" and "Last Week" published in the Statistical Release (hereinafter defined) under the caption "Treasury Constant Maturities" for the maturity date of December 1, 2036. If no maturity exactly corresponds to such date, yields for the two published maturities most closely corresponding to such date shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the premium hereunder shall be used.

"Statistical Release" shall mean the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded United States Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of not less than 66-2/3% of the outstanding shares of the 8.47% Series.

(iii) In addition to the option to redeem granted to the Corporation in clause (ii) of this subparagraph (b), at any time during the period of twelve (12) consecutive calendar months beginning on December 2, 2001 and ending November 30, 2012 both date inclusive, and during each like period of twelve (12) consecutive calendar months thereafter so long as any shares of the 8.47% Series remain outstanding, the Corporation may at its option redeem up to and including, but not exceeding, four thousand five hundred (4,500) shares of the 8.47% Series at a redemption price equal to the sum of (1) $100 per share plus (2) Accrued Dividends thereon to the date of redemption; provided, however, that the option of the Corporation to redeem up to and including, but not exceeding, four thousand five hundred (4,500) shares of the 8.47% Series during each such twelve (12) consecutive calendar month period at such redemption price shall not be cumulative and any shares redeemed during such period in excess thereto shall be redeemed at the redemption price specified in clause (ii) of this subparagraph (b).

(iv) If less than all outstanding shares of the 8.47% Series shall be redeemed at any time or times pursuant to the provisions of either clause (ii) or clause (iii) of this subparagraph (b), the shares to be redeemed shall be selected on a pro rata basis as nearly as practicable, in full shares only, according to the number of outstanding shares of the 8.47% Series held by each holder thereof.

(v) The Voluntary Liquidation Price (as defined in Article Four of the Amended and Restated Articles of Incorporation) for shares of the 8.47% Series shall be the sum of (1) $100 per share plus (2) Accrued Dividends to the date of redemption.

(vi) All then outstanding shares of the 8.47% Series shall be redeemed by the Corporation on December 1, 2036 at a redemption price equal to the sum of (1) $100 per share plus (2) Accrued Dividends thereon to the date of redemption; from and after December 1, 2036 and until the first to occur of (a) the date on which all such shares have been redeemed or (b) the date of Deposit (as defined in subdivision (5) of Article

Four of the Amended and Restated Articles of Incorporation) for the redemption of all such shares (assuming that proper notice of redemption and deposit of moneys has been made by the Corporation in compliance with Article Four of the Amended and Restated Articles of Incorporation), no dividend shall be paid or declared (except dividends payable solely in the Common Stock of the Corporation), nor shall any other distribution be made, on any Subordinate Stock (as defined in Article Four of the Articles of Incorporation) of the Corporation, nor shall any shares of Subordinated Stock be purchased or otherwise acquired for value by the Corporation.

(c) There shall not be any sinking, purchase or analogous fund for the redemption of the shares of the 8.47% Series.

(d) The holders of shares of the 8.47% Series shall have no rights of conversion, exchange or participation, nor any other preferences, or relative, participating, option or other special rights, qualifications, limitations or restrictions other than those specified therein and in the Articles of Incorporation, as amended.

ARTICLE VI

The duration of the Corporation is perpetual.

ARTICLE VII

The Corporation is formed for the following purposes:

To purchase, erect and maintain water and wastewater works and to supply water for public and private purposes;

To supply water and wastewater services for public and private purposes in the State of Kentucky as it deems appropriate for its purposes;

To purchase, lease, take or otherwise acquire and own, use, hold, sell, exchange, convey, lease, mortgage, work, improve, develop, subdivide, cultivate and otherwise handle, dispose of and deal in real estate, real property and any interest or right therein and to contract for and engage the services of other parties for the purpose of carrying on the same;

To perform all functions, reasonably attendant to implementing those purposes, to do anything necessary and proper for the accomplishment of those objects or necessary or incidental to the attainment of the purposes of the Corporation, and to exercise any powers which are granted to Corporations organized under The Business Corporation Law of Kentucky, as amended from time to time;

These are objects and purposes of the Corporation, and are not a limit, restraint or restriction in any manner on its powers.

ARTICLE VIII

The business of the Corporation shall be transacted within such counties within the State of Kentucky.

ARTICLE IX

The business of the Corporation shall be managed under the direction of a board of directors. Except as otherwise set forth in these Amended and Restated Articles of Incorporation, the number of directors shall be such as from time to time fixed by or in the manner provided in the By-laws, and such number may be altered from time to time in the manner provided in the By-laws or by amendment thereof adopted by the Board of Directors.

Kentucky-American Water Company

By _____
Cristy Wheeler
Secretary

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 5

Description of Filing Requirement:

Certificate of Good Standing

Response:

Please see attached for Certificate of Good Standing.

For electronic version, see KAW_APP_EX05_112818.pdf.

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
http://www.sos.ky.gov

Certificate of Existence

Authentication number: 209137
Visit https://app.sos.ky.gov/ftshow/certvalidate.aspx to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

KENTUCKY-AMERICAN WATER COMPANY

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is September 15, 1927 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 14th day of November, 2018, in the 227th year of the Commonwealth.

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
209137/0027327

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 6

Description of Filing Requirement:

Certified Copy of a Certificate of Assumed Name

Response:

Please see attached.

For electronic version, see KAW_APP_EX06_112818.pdf.

COMMONWEALTH OF KENTUCKY

Alison Lundergan Grimes
Secretary of State

Certificate

I, Alison Lundergan Grimes, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

CERTIFICATE OF ASSUMED NAME OF

KENTUCKY AMERICAN WATER FILED NOVEMBER 15, 2018.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 15th day of November, 2018.

COMMONWEALTH OF KENTUCKY
OFFICE OF SECRETARY OF STATE

Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
rpacheco/0027327 - Certificate ID: 209189

0027327.09 amcray
ASN

Alison Lundergan Grimes
Kentucky Secretary of State
Received and Filed:
11/15/2018 3:27 PM
Fee Receipt: $20.00

COMMONWEALTH OF KENTUCKY
ALISON LUNDERGAN GRIMES, SECRETARY OF STATE

Division of Business Filings
Business Filings
PO Box 718
Frankfort, KY 40602
(502) 564-3490
www.sos.ky.gov

Certificate of Assumed Name
(Domestic or Foreign Business Entity)

ASN

Pursuant to the provisions of KRS 365, the undersigned applies to assume a name and, for that purpose, submits the following statement:

1. The assumed name is: Kentucky American Water.

2. The name of the business entity (and in the case of general partnership, the partners) that is/are adopting the assumed name: Kentucky-American Water Company
Name must be identical to the name on record with the Secretary of State.)

3. The "real name" is **(you must check one):**

_____a Domestic General Partnership	_____a Foreign General Partnership
_____a Domestic Limited Liability Partnership	_____a Foreign Limited Liability Partnership
_____a Domestic Limited Partnership	_____a Foreign Limited Partnership
_____a Domestic Business Trust	_____a Foreign Business Trust
✓ a Domestic Corporation	_____a Foreign Corporation
_____a Domestic Limited Liability Company	_____a Foreign Limited Liability Company

4. This application will be effective upon filing, unless a delayed effective date and/or time is provided. The effective date or the delayed effective cannot be prior to the date the application is filed. The date and/or time is _____.
(Delayed effective date and/or time)

5. The business is organized and existing in the state or country of Kentucky.

6. The mailing address is:

2300 Richmond Road	Lexington	KY	40502
Street Address or Post Office Box Numbers	**City**	**State**	**Zip**

I declare under penalty of perjury under the laws of Kentucky that the forgoing is true and correct.

[signature]	David Hinkson	Vice President-Legal and Secretary	November 15, 2018
Authorized Party Signature	**Printed Name**	**Title**	**Date**

(01/12)

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 7

Description of Filing Requirement:

Customer Notices

Response:

Please see attached.

For electronic version, see KAW_APP_EX07_112818.pdf.

NOTICE

Kentucky-American Water Company ("Kentucky American Water") expects to file on November 28, 2018 an application with the Kentucky Public Service Commission to increase the water service revenues by approximately 22.6%. The proposed annual revenue increases by customer classification are: Residential - $10,908,442 (22.9%); Commercial - $5,404,101 (25.0%); Industrial - $579,966 (23.1%); Other Public Authority - $1,420,526 (24.9%); Sales for Resale - $367,222 (21.5%); Private Fire Service and Hydrants - $346,415 (13.0%); Public Fire Hydrants - $838,067 (23.2%). The proposed effective date of the rates is for service rendered on and after December 28, 2018. Kentucky American Water has requested the proposed rates be implemented to all customer classifications as shown below:

Proposed Rate Increase for all customers except Eastern Rockcastle
Monthly Service Charge by Meter Size

Residential					**All Other Customer Classes**			
Meter Size	Present Rate	Proposed Rate	Change	% Increase	Present Rate	Proposed Rate	Change	% Increase
5/8"	$12.49	$15.00	$ 2.51	20%	$13.63	$15.00	$ 1.37	10%
3/4"	18.74	22.40	3.66	20%	20.46	22.40	1.94	9%
1"	31.23	37.30	6.07	19%	34.07	37.30	3.23	9%
1 ½"	62.45	74.70	12.25	20%	68.17	74.70	6.53	10%
2"	99.92	119.50	19.58	20%	109.04	119.50	10.46	10%
3"	187.35	224.00	36.65	20%	204.47	224.00	19.53	10%
4"	312.25	373.40	61.15	20%	340.77	373.40	32.63	10%
6"	624.50	746.70	122.20	20%	681.50	746.70	65.20	10%
8"	999.20	1194.70	195.50	20%	1090.40	1194.70	104.30	10%

Consumption Charges:

	Current Rate		Proposed Rate		$ Change		% Increase
	Per 1000 Gallons	Per 100 Gallons	Per 1000 Gallons	Per 100 Gallons	Per 1000 Gallons	Per 100 Gallons	
Residential	$5.0590	$0.5059	$6.3640	$0.6364	$1.3050	$0.1305	26%
Commercial	4.4120	0.4412	5.7120	0.5712	1.3000	0.1300	29%
Industrial	3.8340	0.3834	4.7500	0.4750	0.9160	0.0916	24%
Other Public Authority	4.0530	0.4053	5.1910	0.5191	1.1380	0.1138	28%
Sales for Resale	3.8370	0.3837	4.7600	0.4760	0.9230	0.0923	24%

Fire Protection:

Private Fire Line Size	Current Monthly Rate	Proposed Monthly Rate	$ Change	% Increase
2"	$ 8.11	$ 9.16	$ 1.05	13%
4"	32.67	36.92	4.25	13%
6"	73.49	83.04	9.55	13%
8"	130.64	147.62	16.98	13%
10"	204.18	230.72	26.54	13%
12"	294.43	332.71	38.28	13%
14"	423.96	479.07	55.11	13%
16"	522.81	590.78	67.97	13%
Private Fire Hydrant	70.90	80.12	9.22	13% Increase
Public Fire Hydrant	39.90	49.16	9.26	23% Increase

Eastern Rockcastle Customers

Meter Size	Present Rate	Proposed Rate	$ Change	% Change
5/8"	$28.28 (includes 2000 gallons)	$15.00 (includes 0 gallons)	$(13.28)	-47% Decrease
3/4"	28.28 (includes 2000 gallons)	22.40 (includes 0 gallons)	$(5.88)	-21% Decrease
1"	62.87 (includes 5000 gallons)	37.30 (includes 0 gallons)	$(25.57)	-41% Decrease
1 ½"		74.70 (includes 0 gallons)	New	
2"	178.17 (includes 15,000 gallons)	119.50 (includes 0 gallons)	$(58.67)	-33% Decrease
3"		224.00 (includes 0 gallons)	New	
4"		373.40 (includes 0 gallons)	New	
6"		746.70 (includes 0 gallons)	New	
8"		1194.70 (includes 0 gallons)	New	

Eastern Rockcastle Customer Consumption Charges:

	Current Rate (All Classes)			Proposed Rate		$ Change		
	Per 1000 Gallons	Per 100 Gallons	Proposed Customer Classes	Per 1000 Gallons	Per 100 Gallons	Per 1000 Gallons	Per 100 Gallons	% Change
Usage with Meter	$0.0	$0.0	Residential	$6.3640	$0.6364	$6.3640	$0.6364	New
			Commercial	5.7120	0.5712	5.7120	0.5712	New
			Industrial	4.7500	0.4750	4.7500	0.4750	New
			Other Public Authority	5.1910	0.5191	5.1910	0.5191	New
			Sale for Resale	4.7600	0.4760	4.7600	0.4760	New
Usage above minimum	11.53	1.153	Residential	$6.3640	$0.6364	$(5.166)	$(0.5166)	-45% Decrease
			Commercial	5.7120	0.5712	(5.8180)	(0.5818)	-50% Decrease
			Industrial	4.7500	0.4750	(6.7800)	(0.6780)	-59% Decrease
			Other Public Authority	5.1910	0.5191	(6.3390)	(0.6339)	-55% Decrease
			Sale for Resale	4.7600	0.4760	(6.7700)	(0.6770)	-59% Decrease

Average Monthly Bills:

	Monthly Usage	Current Average Bill	Proposed Average Bill	$ Change	% Change
Residential (5/8" Meter)	3,869 gallons	$32.06	$39.62	$7.56	24% Increase
Eastern Rockcastle Residential	2,654 gallons	35.82	31.89	($3.93)	-11% Decrease
Commercial (5/8"Meter)	34,257 gallons	164.77	210.67	$45.90	28% Increase
Eastern Rockcastle Commercial	2,608 gallons	35.28	29.89	$(5.39)	-15% Decrease
Industrial	971,266 gallons	3,832.87	4,733.01	$900.14	23% Increase
Other Public Authority	120,541 gallons	597.59	745.23	$147.64	25% Increase
Sales for Resale	1,804,415 gallons	7,605.04	9,335.72	$1,730.68	23% Increase
Private Fire Hydrant	N/A	70.90	80.12	$9.22	13% Increase
Public Fire Hydrant	N/A	39.90	49.16	$9.26	23% Increase
Private Fire Line (6")	N/A	73.49	83.04	$9.55	13% Increase

Tap Fees:

Meter Size (applicable to all customer classifications)	Current Rate	Proposed Rate	$ Change	% Change
5/8"	$1,280.00	$1,223.00	$(57.00)	-4% Decrease
1"	2,201.00	2,174.00	(27.00)	-1% Decrease
2"	4,238.00	4,002.00	(236.00)	-6% Decrease

Kentucky American Water has also proposed additions to its tariff to include a Qualified Infrastructure Program surcharge that would be applied to Residential, Commercial, Industrial, Other Public Authority, Sale for Resale, Public and Private Fire Service classifications for qualified infrastructure investments. This surcharge would be calculated annually based on forecasted qualified infrastructure costs, and applied to each customer's monthly bill. The surcharge would then be updated annually until the next rate case, at which time the investment costs would be incorporated into base rates and the surcharge reset at zero.

This application may be examined at the offices of Kentucky American Water located at 2300 Richmond Road in Lexington, Kentucky.

This application may also be examined at the offices of the Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday through Friday from 8:00 am – 4:30 pm or on the Commission's website at http://psc.ky.gov.

Comments regarding this application may be submitted by mail to the Public Service Commission, Post Office Box 615, Frankfort KY 40602; or through its website at http://psc.ky.gov.

The rates contained in this notice are the rates proposed by Kentucky American Water but the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Any person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, which establishes the grounds for the request including the status and interest of the party.

If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the providing of this notice, the Public Service Commission may take final action on the application.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 8

Description of Filing Requirement:

PSC Notice

Response:

Please see attached.

For electronic version, see KAW_APP_EX08_112818.pdf.

RECEIVED
OCT 26 2018
PUBLIC SERVICE COMMISSION

STOLL KEENON OGDEN PLLC

LINDSEY W. INGRAM III
DIRECT DIAL: (859) 231-3982
DIRECT FAX: (859) 246-3672
L.Ingram@skofirm.com

300 WEST VINE STREET
SUITE 2100
LEXINGTON, KY 40507-1801
MAIN: (859) 231-3000
FAX: (859) 253-1093

October 26, 2018

HAND DELIVERED

Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

Re: Adjustment of Water Rates of Kentucky American Water

Dear Ms. Pinson:

In conformity with 807 KAR 5:001, Section 16(2), this letter is to provide notice to the Public Service Commission of the Commonwealth of Kentucky of the intention of Kentucky American Water to file an application for an increase in its water rates no earlier than 30 days from the date of this letter. The rate application will be supported by a fully forecasted test period.

Contemporaneously with this notice, we have submitted a Notice of Election of Use of Electronic Filing Procedures. Please acknowledge receipt of this notice and assign a case number to the application to be filed.

Very truly yours,

Lindsey W. Ingram III

Lindsey W. Ingram III

cc via e-mail: Rebecca Goodman
Kent Chandler

010311.160510/7791330.2

NOTICE OF ELECTION OF USE OF ELECTRONIC FILING PROCEDURES

(Complete All Shaded Areas and Check Applicable Boxes)

In accordance with 807 KAR 5:001, Section 8, Kentucky American Water gives notice of its intent to file an application for an adjustment of its water rates with the Public Service Commission no later than 30-60 days from 10/26/18 and to use the electronic filing procedures set forth in that regulation.

RECEIVED
OCT 26 2018
PUBLIC SERVICE COMMISSION

Kentucky American Water further states that:

	Yes	No
1. It requests that the Public Service Commission assign a case number to the intended application and advise it of that number as soon as possible;	X	
2. It or its authorized representatives have registered with the Public Service Commission and are authorized to make electronic filings with the Public Service Commission;	X	
3. Neither it nor its authorized representatives have registered with the Public Service Commission for authorization to make electronic filings but will do so no later than seven days before the date of its filing of its application for rate adjustment;		X
4. It or its authorized agents possess the facilities to receive electronic transmissions;	X	

5. The following persons are authorized to make filings on its behalf and to receive electronic service of Public Service Commission orders and any pleadings filed by any party or the Public Service Commission Staff:

Name	Electronic Mail Address
Lindsey Ingram	l.ingram@skofirm.com
Monica Braun	monica.braun@skofirm.com
Linda Bridwell	linda.bridwell@amwater.com
Melissa Schwarzell	melissa.schwarzell@amwater.com

6. It and its authorized representatives listed above have read and understand the procedures for electronic filing set forth in 807 KAR 5:001 and will fully comply with those procedures unless the Public Service Commission directs otherwise.	X		

Signed Lindsey W. Ingram III

Name: Lindsey W. Ingram III

Title: Counsel for Kentucky American Water

Address: 300 West Vine Street, Suite 2100
Lexington, KY 40507

Telephone Number: 859-231-3982

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 9

Description of Filing Requirement:

Reconciliation of Rate Base and Capital used to determine its Revenue Requirements.

Response:

	Forecast
13-Month Average Capital Structure	$446,358,856
13-Month Average Rate Base	441,122,362
Difference	$5,236,494
	Differences
Sewer Assets	
UPIS	$8,662,487
CWIP	752,767
Accum Reserve	(4,585,204)
Accum COR	861,612
CIAC	(614,491)
	5,077,171
Other Differences, net	$159,323
Total Difference	$5,236,494
Rate Base	$441,122,362
Reconciling Differences	5,236,494
Capital Structure	$446,358,856

For electronic version, see KAW_APP_EX09_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 10

Description of Filing Requirement:

Prepared testimony of each witness the utility proposes to use to support its application, including testimony from the utility's Chief Officer in charge of Kentucky Operations.

Response:

All Testimony is included under separate cover.
For electronic version, refer to the files below:

FILE NAME	DESCRIPTION
KAW_DT_PLB_112818.pdf	Patrick L. Bayrenbruch, Direct Testimony
KAW_DT_AEB_112818.pdf	Ann E. Bulkley, Direct Testimony
KAW_DT_CEH_112818.pdf	Constance E. Heppenstall, Direct Testimony
KAW_DT_KMK_112818.pdf	Kurt M. Kogler, Direct Testimony
KAW_DT_RVM_112818.pdf	Robert V. Mustich, Direct Testimony
KAW_DT_BEO_112818.pdf	Brent E. O'Neill, Direct Testimony
KAW_DT_JSP_112818.pdf	James S. Pellock, Direct Testimony
KAW_DT_GPR_112818.pdf	Gregory P. Roach, Direct Testimony
KAW_DT_KNR_112818.pdf	Kevin N. Rogers, Direct Testimony
KAW_DT_NOR_112818.pdf	Nick O. Rowe, Direct Testimony
KAW_DT_SWR_112818.pdf	Scott W. Rungren, Direct Testimony
KAW_DT_MLS_112818.pdf	Melissa L. Schwarzell, Direct Testimony
KAW_DT_JRW_112818.pdf	John R. Wilde, Direct Testimony
KAW_DT_TJW_112818.pdf	Timothy J. Willig, Direct Testimony

For electronic version of this document, see KAW_APP_EX10_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 11

Description of Filing Requirement:

Capital Construction Budget with a Three-Year Forecast

Response:

Please see attached.

For electronic version, see KAW_APP_EX11_112818.pdf.

KENTUCKY AMERICAN WATER
CASE NO. 2018-00358
PROPOSED CONSTRUCTION EXPENDITURES

Description		**2019**	**2020**	**2021**
	Projects Funded by Others	$2,500,000	$2,500,000	$2,500,000
	Normal Recurring Construction	$16,097,523	$15,998,417	$16,119,205
R12-**K3	ITS Equipment and Systems - Centrally Sponsored	$3,390,750	$2,959,200	$2,784,525
Current Investment Projects				
I12-020037	KRS I Chemical Storage and Feed Imp	$1,227,706	$5,984,956	
I12-020055	New Circle Rd Main Relocation Phase 2	$833,325		
I12-020059	KRS2 Transfer Switch	$334,257	$600,000	
I12-020067	RRS Chemical Facility Upgrade/Chlor	$9,761,231		
I12-020074	Athens Boonesboro Main Ext - Phase	$187,155		
I12-020076	KRS1 - Replace Incline Car	$1,021,255		
I12-020079	Jacobson Pump Station	$1,805,169		
I12-020089	Millersburg Chemical Feed & WQ Impr			$573,686
I12-020099	KRS1 Pump #13 Replacement	$200,000		
I12-300008	Owenton Operations Garage	$573,170	$236,344	
I12-020071	KRS1 Valve House Rehabilitation (Phase 5) - Reeves Drives	$1,500,000		
I12-020080	KRS1 Pump 10 and 11 Replacements			$2,250,270
I12-020094	Cox Street Booster	$1,000,000		
I12-020098	KRS1 Control room/Clearwell/Pumps			$3,500,000
I12-020095	Mercer Road Booster Station	$333,188	$666,812	
I12-030001	ERWA Main Interconnection	$355,490	$250,000	$500,000
	Total	$41,120,219	$29,195,729	$28,227,686

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 12

Description of Filing Requirement:

Description of Forecast Factors

Response:

Description of Forecast Factors used in preparing Kentucky-American Water's Forecasted Period is incorporated in each witness's prefiled testimony.

For electronic version, see KAW_APP_EX12_112818.pdf for this document and refer to KAW_APP_EX10_112818.pdf for electronic file names for each witness's prefiled testimony.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 13

Description of Filing Requirement:

Annual and monthly budget for the twelve month preceding the filing date, the base period and the forecasted period.

Response:

Please see attached for the annual and monthly budgets for the 12 months preceding the filing date, the base period, and the forecast period.

For electronic version, see KAW_APP_EX13_112818.pdf for this document.

Kentucky American Water
Case No. 2018-00358
Budget for 12 Months Preceding the Filing Date, Water Business Units Only

Line	Line Description	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Total
P02	Water revenues - residential	$4,169,536	$4,287,212	$4,160,992	$4,160,787	$3,755,091	$4,254,631	$4,610,238	$4,495,071	$4,490,315	$4,204,626	$3,842,917	$3,784,617	$50,216,032
P03	Water revenues - commercial	1,830,144	1,750,081	1,811,476	1,808,920	1,674,891	1,863,631	2,064,114	2,091,087	2,135,687	1,966,040	1,730,872	1,557,488	22,284,431
P04	Water revenues - industrial	230,092	201,855	222,442	208,826	188,986	193,180	237,752	216,761	229,767	197,778	166,376	156,661	2,450,476
P05	Water revenues - public fire	334,817	334,588	335,100	335,100	306,341	306,938	305,812	305,376	303,103	304,996	311,709	311,709	3,795,591
P06	Water revenues - private fire	249,343	249,619	250,810	250,810	217,397	211,286	212,681	219,963	201,118	208,867	224,987	224,987	2,721,869
P07	Water revenues - public authority	533,767	486,760	419,066	413,248	495,151	551,455	636,443	692,769	732,986	625,545	526,784	449,099	6,563,073
P08	Water revenues - sales for resale	143,651	126,210	154,150	139,639	135,507	191,868	199,028	189,517	190,011	163,265	137,760	114,163	1,884,768
P09	Water revenues - other	0	0	0	0	0	0	0	0	0	0	5,583	5,583	11,166
P11	Other revenues	182,442	182,966	227,963	209,911	174,219	187,804	193,645	203,578	167,262	166,034	179,040	176,065	2,250,928
	Total Revenues	7,673,792	7,619,290	7,581,998	7,527,240	6,947,584	7,760,793	8,459,713	8,414,122	8,450,250	7,837,150	7,126,028	6,780,372	92,178,334
P13	Purchased water	13,064	12,765	18,000	18,000	13,000	13,000	13,000	13,000	13,000	13,000	18,000	18,000	175,830
P14	Fuel and power	325,640	318,427	339,464	347,161	330,845	377,417	373,124	376,458	355,066	317,495	281,795	289,213	4,032,106
P15	Chemicals	135,447	139,785	103,579	108,171	126,251	141,359	171,630	168,752	131,715	105,651	118,458	113,525	1,564,322
P16	Waste disposal	26,991	27,159	27,366	25,603	26,683	26,683	26,683	26,683	26,683	26,683	21,683	21,683	310,583
P17	Salaries and wages	602,439	577,293	610,766	529,755	596,913	622,881	648,848	596,913	622,881	622,881	583,946	623,727	7,239,243
P18	Pension expense	69,986	69,986	48,557	48,557	30,243	30,243	30,243	30,243	30,243	30,243	63,243	63,243	545,033
P19	OPEB expense	1,312	1,312	6,255	6,255									15,133
P20	Group insurance expense	117,107	117,107	125,923	125,923	134,176	134,176	134,176	134,176	134,176	134,176	134,176	134,176	1,559,466
P21	Other benefits	38,911	48,935	56,247	38,420	32,472	29,094	31,127	32,242	32,892	31,876	33,895	59,944	466,056
P22	Service Company Costs	684,925	664,722	770,297	691,409	649,567	661,312	674,886	638,823	647,140	639,880	663,789	689,188	8,075,938
P23	Contracted services	53,465	52,425	45,950	48,076	65,179	60,561	63,961	59,183	50,542	57,790	48,954	52,411	658,498
P24	Building Maintenance and Services	43,210	35,210	49,382	50,503	53,894	45,822	46,320	47,790	45,939	49,464	38,936	44,140	550,609
P25	Telecommunication expenses	19,822	19,965	18,418	17,909	22,881	22,691	22,703	22,887	22,606	22,755	18,691	18,865	250,192
P26	Postage, printing and stationary	2,163	2,163	2,343	1,100	1,365	1,815	1,365	5,365	1,565	1,615	1,365	1,565	23,789
P27	Office supplies and services	25,005	25,455	22,170	25,975	17,272	19,961	17,397	17,279	18,022	18,686	17,761	17,561	242,541
P28	Advertising & marketing expenses	750	1,000	1,000	750	750	1,000	1,000	750	1,000	1,000	750	1,000	10,750
P29	Employee related expense travel & ent	8,317	9,911	10,149	13,833	17,674	13,936	21,751	13,554	11,780	14,489	9,073	7,407	151,874
P30	Miscellaneous expenses	77,205	78,011	109,623	76,351	148,160	104,698	79,029	81,665	84,203	71,532	77,296	74,944	1,062,718
P31	Rents	682	1,282	1,350	424	2,493	2,493	2,569	2,543	2,493	2,510	2,493	3,021	24,357
P32	Transportation	33,980	33,980	52,093	9,683	34,086	34,086	34,586	34,186	34,086	34,086	24,086	24,586	383,524
P33	Uncollectible accounts expense	59,525	53,506	52,657	11,833	55,786	63,078	63,338	70,713	62,711	63,889	79,789	85,307	722,132
P34	Customer accounting, other	98,787	98,787	92,199	95,691	85,242	80,242	85,242	80,242	85,242	80,242	95,242	95,242	1,072,399
P35	Regulatory expense	20,115	20,115	24,200	24,200	20,066	20,066	20,066	20,066	20,066	19,448	19,448	19,448	247,303
P36	Insurance other than group	69,423	69,423	62,945	62,945	56,167	56,167	56,167	56,167	56,167	56,167	56,167	56,167	714,075
P37	Maintenance supplies and services	174,168	167,505	171,041	152,192	149,626	139,501	147,876	144,876	136,651	131,976	154,876	407,088	2,077,373
	Total O&M	2,702,440	2,646,229	2,821,973	2,530,718	2,670,792	2,702,282	2,767,086	2,674,556	2,626,869	2,547,534	2,563,912	2,921,453	32,175,843
P40	Depreciation	1,127,727	1,132,670	1,153,356	1,154,366	999,094	1,000,089	1,001,584	1,002,377	1,002,952	1,003,387	1,006,448	1,006,118	12,590,167
P41	Amortization	20,295	20,295	23,963	23,963	19,519	19,519	19,519	19,519	19,519	19,519	19,519	19,519	244,671
P42	Removal costs, net	162,697	163,426	189,111	189,263	154,725	154,828	155,016	155,077	155,102	155,121	155,065	154,939	1,944,371
P43	Current federal income taxes - operating	499,572	620,180	558,021	568,184	482,767	845,681	1,071,672	976,953	1,137,524	977,418	662,281	377,037	8,777,290
P44	Current state income taxes - operating	87,655	109,751	91,437	92,446	86,811	152,936	193,717	177,054	205,738	177,120	118,650	85,418	1,578,734
P45	Deferred federal income tax expense	194,101	74,600	50,054	129,080	89,679	(8,868)	(15,905)	93,665	(29,732)	(40,920)	55,890	75,602	667,245
P46	Deferred state income tax expense	32,393	10,599	5,204	19,616	13,349	(4,623)	(5,906)	14,076	(8,428)	(10,469)	7,187	10,782	83,779
P47	Amortization of investment tax credits	(6,909)	(6,909)	(6,541)	(6,541)	(7,066)	(7,066)	(7,066)	(7,066)	(7,066)	(7,066)	(7,066)	(7,066)	(83,428)
P48	General taxes	559,934	559,435	555,174	541,743	471,962	475,886	477,544	473,278	474,771	472,937	485,063	487,673	6,035,400
	Total Other Operating Expenses	2,677,466	2,684,047	2,619,779	2,712,120	2,310,841	2,628,382	2,890,176	2,904,933	2,950,381	2,747,048	2,503,037	2,210,022	31,838,229
	Utility Operating Income	2,293,886	2,289,014	2,140,246	2,284,402	1,965,951	2,430,129	2,802,452	2,834,634	2,873,000	2,542,569	2,059,079	1,648,898	28,164,262
P49	Gain/Loss on sale of assets	0	0	0	0	0	0	0	0	0	0	0	0	0
P52	Allowance for funds used during construction	61,469	73,087	22,570	31,427	(35,921)	(48,514)	(62,095)	(76,076)	(90,152)	(102,400)	(111,026)	(103,189)	(440,819)
P56	Other miscellaneous deductions	8,875	8,875	7,208	7,208	35	35	35	35	35	35	35	35	32,447
P59	Interest on long-term debt	1,048,341	1,048,937	1,031,343	1,031,343	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	4,203,965
P60	Interest on short-term debt	9,014	14,905	16,657	11,991	1,012,804	1,012,804	1,012,804	1,012,804	1,012,804	1,012,804	1,012,804	1,012,804	8,154,997
P62	Allowance for borrowed funds used during cons	13,745	14,253	10,861	14,305	3,126	5,153	5,340	5,587	7,453	7,594	6,723	8,453	102,591
P63	Amortization of debt expense	9,756	9,760	9,339	9,339	(16,904)	(22,830)	(29,221)	(35,800)	(42,424)	(48,188)	(52,247)	(48,560)	(257,981)
P65	Common Dividends	0	4,448,526	0	0	0	1,926,763	0	0	2,499,938	0	0	4,051,721	12,926,949
	Other Net Deductions	1,151,199	5,618,344	1,097,979	1,105,614	968,639	2,878,911	932,362	912,049	3,393,154	875,345	861,788	4,926,763	24,722,148
	Net Income	$1,142,687	($3,329,330)	$1,042,267	$1,178,788	$997,313	($448,781)	$1,870,090	$1,922,585	($520,154)	$1,667,224	$1,197,291	($3,277,865)	$3,442,114

Kentucky American Water
Case No. 2018-00358
Budgeted Construction Expenditures, Adjusted with Known and Measurable Changes, Water Business Units Only
For the Twelve Months Preceding the Filing Date

Recurring Projects	Project #	Description	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Total
DV	D12-**01-P	Projects Funded by Others	$150,000	$150,000	$125,000	$150,000	$220,000	$220,000	$230,000	$250,000	$275,000	$275,000	$150,000	$100,000	$2,295,000
A	R12-**A1	Mains - New	22,500	21,500	25,000	25,000	30,000	35,000	50,000	70,000	70,000	70,000	50,000	35,000	504,000
B	R12-**B1	Mains - Replaced / Restored	130,000	120,000	70,000	70,000	70,000	85,000	90,000	105,000	110,000	105,000	245,000	155,000	1,355,000
B2	R12-**B2	Mains - Replaced QIP Program	333,337	333,333	300,000	300,000	300,000	450,000	450,000	500,000	500,000	600,000	0	0	4,066,670
C	R12-**C1	Mains - Unscheduled	27,250	22,000	83,000	83,000	81,500	51,000	61,000	61,000	71,000	71,000	57,029	58,279	727,058
D	R12-**D1	Mains - Relocated	20,000	15,000	20,000	20,000	20,000	40,000	40,000	40,000	60,000	60,000	25,000	20,000	380,000
E	R12-**E1	Hydrants, Valves, and Manholes - New	10,000	5,000	2,500	5,000	10,000	25,000	30,000	30,000	27,500	25,000	6,295	20,100	196,395
F	R12-**F1	Hydrants, Valves, and Manholes - Replaced	25,000	13,250	30,000	45,000	49,000	39,000	41,000	41,000	41,000	49,000	33,900	32,300	439,450
G	R12-**G1	Services and Laterals - New	53,000	48,200	40,000	80,000	60,000	71,000	95,000	98,000	98,000	128,000	58,000	33,980	863,180
H	R12-**H1	Services and Laterals - Replaced	30,000	17,500	10,000	10,000	31,000	37,000	38,000	58,000	48,000	49,000	31,200	31,200	390,900
I	R12-**I1	Meters - New	37,000	21,220	20,000	20,000	41,000	47,000	47,000	67,000	63,000	63,000	53,000	43,000	522,220
J	R12-**J1	Meters - Replaced	50,250	47,975	41,500	32,000	52,000	112,000	135,000	140,000	130,000	110,000	296,329	612,422	1,759,476
K	R12-**K1	ITS Equipment and Systems	0	0	0	100,000	0	100,000	0	0	104,888	0	6,093	99,790	410,771
L	R12-**L1	SCADA Equipment and Systems	15,000	5,000	5,000	5,000	10,000	25,000	35,000	36,200	35,000	35,000	40,344	8,643	255,187
M	R12-**M1	Security Equipment and Systems	15,000	10,055	0	0	0	10,000	20,000	20,000	30,000	30,000	40,860	602	176,517
N	R12-**N1	Offices and Operations Centers	50,000	0	0	0	0	0	0	25,000	50,000	50,000	25,000	0	200,000
O	R12-**O1	Vehicles	0	0	0	0	0	100,000	175,000	225,000	100,000	105,000	100,000	100,000	905,000
P	R12-**P1	Tools and Equipment	10,500	13,300	15,000	20,000	20,000	25,000	60,000	70,000	70,000	71,000	50,000	25,500	450,300
Q	R12-**Q1	Process Plant Facilities and Equipment	100,000	75,000	100,000	100,000	150,000	200,000	220,000	275,000	264,300	208,900	170,228	48,920	1,912,348
S	R12-**S1	Engineering Studies	3,000	3,000	3,500	3,500	3,500	3,500	5,000	5,000	5,000	5,000	3,000	3,000	46,000
		Subtotal:	**$1,081,837**	**$921,333**	**$890,500**	**$1,068,500**	**$1,148,000**	**$1,675,500**	**$1,822,000**	**$2,116,200**	**$2,152,688**	**$2,109,900**	**$1,441,278**	**$1,427,736**	**$17,855,472**

Centrally Sponsored Projects	Project #	Descriptions	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Total
CS	R12-01K3	ITS Equipment and Systems - Centrally Sponsored	115,905	383,418	226,062	241,778	229,251	189,845	189,845	172,648	211,345	207,733	159,348	174,154	2,501,332
		Subtotal:	**$115,905**	**$383,418**	**$226,062**	**$241,778**	**$229,251**	**$189,845**	**$189,845**	**$172,648**	**$211,345**	**$207,733**	**$159,348**	**$174,154**	**$2,501,332**

Investment Projects	Project #	Descriptions	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Total
IP	I12-000001	Post Acquisition BD Capex	20,000	20,000	0	0	0	0	20,000	46,931	53,090	63,862	0	0	223,883
IP	I12-000002	Post Acquisition BD Capex (Livingston/ Rockcastle)	0	0	0	0	0	0	0	26,931	43,090	53,862	0	0	123,883
IP	I12-020035	KRS1 - Residual Improvements	0	0	0	0	0	0	0	0	0	0	45,000	15,000	60,000
IP	I12-020037	KRS1 Chemical Storage and Feed Improvements	265,803	301,099	20,310	27,710	36,413	45,078	50,637	77,308	98,882	134,789	50,000	65,000	1,173,029
IP	I12-020039	Georgetown Bypass and US 25 Area	250,000	238,710	107,725	148,337	204,677	150,814	96,952	70,021	21,545	0	100,000	75,000	1,463,781
IP	I12-020051	KRS High Service Pumps Replacement	765,611	272,347	0	0	0	0	0	0	0	0	0	0	1,037,958
IP	I12-020053	Pressure Zone Creation - Hays/ Andover/ Winchester	55,000	0	0	0	0	0	0	0	0	0	0	0	55,000
IP	I12-020055	New Circle Phase 2	0	0	150,814	150,814	101,423	70,021	26,931	0	0	0	0	0	500,003
IP	I12-020059	KRS2 Transfer Switch	0	0	0	0	0	0	150,814	150,814	96,952	95,121	0	0	493,701
IP	I12-020064	KRSI HS#12	0	0	153,723	242,380	199,290	150,814	53,862	0	0	0	0	0	800,069
IP	I12-020067	RRS Chemical Facility Upgrade/Chlor	0	0	0	0	0	0	0	0	0	0	50,000	50,000	100,000
IP	I12-020069	KRS1 Valve House Rehabilitation (Phase 3) - Reeves Drives	248,477	290,574	0	0	0	0	0	0	0	0	0	0	539,051
IP	I12-020070	KRS1 Valve House Rehabilitation (Phase 4) - Reeves Drives	0	0	204,677	204,677	204,677	161,587	161,587	52,031	10,772	0	0	0	1,000,008
IP	I12-020072	Ford Hampton Transmission Main	171,788	53,710	0	0	0	0	0	0	0	0	0	0	225,498
IP	I12-020074	Athens Boonesboro Main Ext - Phase II	0	0	0	43,090	150,814	150,814	150,814	150,814	96,952	79,770	120,000	100,000	1,043,068
IP	I12-020076	KRS1 - Replace Incline Car	0	0	48,476	48,476	75,407	150,814	129,269	86,180	39,837	10,772			589,231
IP	I12-020079	Jacobson Pump Station	0	0	0	0	0	0	0	0	0	0	15,000	25,000	40,000
IP	I12-020088	Pressure Zone Extension	0	0	0	0	0	0	0	0	0	0	50,000	0	50,000
IP	I12-020089	Millersburg Chemical Feed & WQ Impr	0	0	0	0	0	0	0	0	0	0	25,000	0	25,000
IP	I12-020091	KRS1 - Overhead Power Line Relocation	0	0	0	0	0	0	0	0	0	0	275,000	150,000	425,000
IP	I12-300008	Owenton Distribution Building	20,690	0	0	0	0	0	0	0	14,159	36,204	42,090	69,020	182,163
		Subtotal:	**$1,797,369**	**$1,176,440**	**$685,725**	**$865,484**	**$972,701**	**$879,942**	**$840,866**	**$661,030**	**$475,279**	**$474,380**	**$772,090**	**$549,020**	**$10,150,326**
		Total Water SCEP	**2,995,111**	**2,481,191**	**1,802,287**	**2,175,762**	**2,349,952**	**2,745,287**	**2,852,711**	**2,949,878**	**2,839,312**	**2,792,013**	**2,372,716**	**2,150,910**	**30,507,130**

Kentucky American Water
Case No. 2018-00358
Budget for 12 Months Preceding the End of Base Year, Water Business Units Only

Line	Line Description	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Total
P02	Water revenues - residential	$4,160,299	$4,228,598	$4,621,103	$4,795,156	$4,898,290	$4,911,190	$4,230,511	$4,088,172	$3,774,564	$3,810,611	$3,781,129	$3,595,766	$50,895,390
P03	Water revenues - commercial	1,808,340	1,871,802	2,037,417	2,153,986	2,263,189	2,289,817	2,022,140	1,953,076	1,679,085	1,610,422	1,613,977	1,550,354	22,853,605
P04	Water revenues - industrial	217,507	217,141	239,191	256,353	223,885	264,324	236,597	234,849	201,460	183,320	191,933	181,982	2,648,543
P05	Water revenues - public fire	335,100	335,100	335,100	335,100	335,100	335,100	299,330	299,330	299,330	299,330	299,330	299,330	3,806,580
P06	Water revenues - private fire	250,810	250,810	250,810	250,810	250,810	250,810	222,060	222,060	222,060	222,060	222,060	222,060	2,837,222
P07	Water revenues - public authority	411,846	462,804	512,456	582,486	665,797	677,772	562,911	500,239	410,366	379,223	388,065	366,246	5,920,211
P08	Water revenues - sales for resale	132,846	152,886	147,559	176,939	194,569	186,896	178,025	162,254	133,271	132,945	125,957	117,583	1,841,730
P09	Water revenues - other	0	0	0	0	0	0	346,126	345,739	345,924	345,543	345,539	346,171	2,075,042
P11	Other revenues	220,279	192,188	237,228	243,116	223,668	232,880	220,124	202,081	188,934	189,454	201,434	200,553	2,551,939
	Total Revenues	7,537,028	7,711,329	8,380,866	8,793,946	9,055,308	9,148,790	8,317,824	8,007,800	7,254,994	7,172,908	7,169,424	6,880,045	95,430,262
P13	Purchased water	18,000	18,000	18,000	18,000	18,000	12,000	21,831	21,831	21,830	21,831	24,771	26,451	240,545
P14	Fuel and power	347,057	328,459	379,935	394,201	364,837	421,736	406,587	322,301	323,829	326,327	382,243	386,631	4,384,142
P15	Chemicals	108,865	103,107	156,228	169,055	197,566	204,184	187,363	161,051	151,006	170,738	118,864	100,869	1,828,896
P16	Waste disposal	24,714	26,860	26,551	26,728	27,423	31,335	32,920	32,463	26,274	128,381	36,379	34,739	454,766
P17	Salaries and wages	589,332	562,497	615,628	561,622	586,443	612,848	565,360	625,965	610,057	596,175	667,124	584,698	7,177,749
P18	Pension expense	48,557	48,557	48,557	48,557	48,557	48,557	48,557	48,557	48,557	48,557	30,001	30,001	545,569
P19	OPEB expense	6,255	6,255	6,255	6,255	6,255	6,255	6,255	6,255	6,255	6,255	5,726	5,726	73,999
P20	Group insurance expense	125,923	124,017	124,017	124,017	124,017	124,017	125,987	125,987	125,987	125,987	125,299	124,799	1,500,054
P21	Other benefits	47,815	48,538	45,179	46,849	42,153	46,822	44,422	46,255	46,168	47,671	44,393	47,682	553,947
P22	Service Company Costs	853,408	747,126	775,806	843,392	753,784	767,891	820,768	765,886	757,863	848,833	817,595	746,644	9,498,997
P23	Contracted services	50,454	50,065	48,827	53,151	44,447	49,519	53,423	54,711	54,509	49,741	81,450	71,005	661,303
P24	Building Maintenance and Services	54,070	43,034	43,173	59,370	45,322	47,075	49,254	46,036	44,789	51,601	52,157	73,153	609,034
P25	Telecommunication expenses	18,527	18,026	19,152	22,065	18,951	18,933	31,204	16,796	20,954	18,537	19,677	20,007	242,828
P26	Postage, printing and stationary	1,665	2,741	1,717	1,356	1,847	4,222	1,429	1,694	2,726	3,509	2,506	2,310	27,722
P27	Office supplies and services	25,853	25,032	25,488	27,602	25,382	27,301	25,432	26,896	25,565	25,874	27,636	26,991	315,051
P28	Advertising & marketing expenses	1,000	1,000	750	1,000	1,000	750	1,000	1,000	750	1,052	1,000	750	11,052
P29	Employee related expense travel & ent	9,832	11,600	6,662	10,130	12,098	10,517	12,995	10,250	9,927	10,823	11,580	9,228	125,642
P30	Miscellaneous expenses	55,298	41,635	54,786	59,434	60,120	42,368	56,960	61,966	53,115	70,419	89,338	42,141	687,581
P31	Rents	442	647	838	3,052	(972)	347	1,336	547	547	547	1,780	1,929	11,039
P32	Transportation	30,254	27,349	27,046	29,748	29,623	27,605	27,036	36,313	22,700	20,963	30,779	35,837	345,252
P33	Uncollectible accounts expense	52,741	53,594	56,431	38,790	61,707	24,653	66,881	64,448	29,350	41,278	66,678	63,692	620,242
P34	Customer accounting, other	90,323	94,426	92,413	94,117	91,806	91,283	95,753	91,554	93,733	90,043	92,251	93,644	1,111,346
P35	Regulatory expense	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,115	24,115	290,230
P36	Insurance other than group	62,945	62,945	62,945	62,945	62,945	62,945	62,944	62,944	62,944	62,944	56,420	56,420	742,283
P37	Maintenance supplies and services	155,935	152,313	151,202	161,479	151,269	152,036	154,188	166,003	151,199	165,205	168,881	168,881	1,898,590
	Total O&M	2,803,459	2,622,020	2,811,783	2,887,115	2,798,778	2,859,398	2,924,085	2,821,909	2,714,834	2,957,491	2,978,643	2,778,343	33,957,859
P40	Depreciation	1,155,496	1,156,748	1,158,798	1,165,644	1,168,334	1,174,418	1,179,766	1,188,006	1,189,677	1,191,022	1,178,854	1,179,562	14,086,324
P41	Amortization	23,963	23,963	23,963	23,963	23,963	23,963	23,963	23,963	23,963	23,963	23,241	23,241	286,111
P42	Removal costs, net	189,436	189,620	189,933	191,075	191,465	192,453	192,848	194,236	194,483	194,688	190,856	190,917	2,302,010
P43	Current federal income taxes - operating	546,669	671,027	767,358	931,652	1,056,110	992,763	330,768	548,927	215,262	170,477	172,831	164,206	6,568,049
P44	Current state income taxes - operating	103,326	115,802	136,714	166,109	191,337	181,876	42,437	70,943	27,345	21,493	21,800	20,673	1,099,857
P45	Deferred federal income tax expense	54,911	60,344	121,171	68,371	59,434	128,527	30,474	50,574	19,833	15,706	15,923	15,129	640,397
P46	Deferred state income tax expense	6,090	7,080	18,173	8,544	6,914	19,515	49,487	82,728	31,887	25,063	25,422	24,108	305,013
P47	Amortization of investment tax credits	(6,541)	(6,541)	(6,541)	(6,541)	(6,541)	(6,541)	(6,541)	(6,541)	(6,541)	(6,541)	(6,541)	(6,541)	(78,492)
P48	General taxes	539,009	536,955	543,067	536,909	540,419	541,834	537,919	541,715	541,290	536,956	599,130	586,105	6,581,307
	Total Other Operating Expenses	2,612,359	2,754,998	2,952,636	3,085,727	3,231,436	3,248,806	2,381,122	2,694,551	2,237,198	2,172,827	2,221,517	2,197,399	31,790,576
	Utility Operating Income	2,121,210	2,334,311	2,616,447	2,821,104	3,025,094	3,040,586	3,012,617	2,491,340	2,302,962	2,042,590	1,969,264	1,904,303	29,681,827
P49	Gain/Loss on sale of assets	0	0	0	0	0	0	0	(1,900,000)	0	0	0	0	(1,900,000)
P52	Allowance for funds used during construction	41,285	49,546	57,540	67,668	74,512	73,295	(70,350)	(60,771)	(45,812)	(39,579)	(29,839)	(32,800)	84,695
P56	Other miscellaneous deductions	7,208	7,208	7,208	12,208	12,208	12,208	12,208	7,208	7,208	7,208	(95,351)	(96,086)	(99,355)
P59	Interest on long-term debt	1,031,343	1,031,343	1,031,343	1,031,343	1,031,343	1,031,343	1,031,344	1,031,344	1,031,344	1,031,344	1,029,372	1,029,372	12,372,181
P60	Interest on short-term debt	15,550	17,610	13,739	21,384	16,910	11,169	18,162	16,864	5,972	18,452	23,307	17,751	196,869
P62	Allowance for borrowed funds used during cons	18,187	21,580	24,849	28,826	31,731	30,660	(29,679)	(25,603)	(18,912)	(16,477)	(15,647)	(17,137)	32,378
P63	Amortization of debt expense	9,339	9,339	9,339	9,339	9,339	9,339	9,339	9,339	7,656	7,656	8,639	8,639	107,303
P65	Common Dividends	4,448,526	0	0	2,600,611	0	0	3,601,350	0	0	3,701,707	0	0	14,352,194
	Other Net Deductions	5,571,439	1,136,627	1,144,019	3,771,380	1,176,044	1,168,015	4,572,374	(921,619)	987,456	4,710,311	920,481	909,739	25,146,265
	Net Income	($3,450,229)	$1,197,684	$1,472,429	($950,276)	$1,849,050	$1,872,571	($1,559,757)	$3,412,959	$1,315,506	($2,667,721)	$1,048,783	$994,564	$4,535,562

Kentucky American Water
Case No. 2018-00358
Budgeted Construction Expenditures, Adjusted with Known and Measurable Changes, Water Business Units Only
For the Twelve Month Base Period

Recurring Projects	Project #	Description	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Total
DV	D12-**01-P	Projects Funded by Others	$220,000	$220,000	$230,000	$250,000	$275,000	$275,000	$150,000	$100,000	$0	$0	$125,000	$150,000	$1,995,000
A	R12-**A1	Mains - New	30,000	35,000	50,000	70,000	70,000	70,000	50,000	35,000	25,000	26,250	21,000	21,000	503,250
B	R12-**B1	Mains - Replaced / Restored	70,000	85,000	90,000	105,000	110,000	105,000	245,000	155,000	105,000	105,000	350,000	250,000	1,775,000
B2	R12-**B2	Mains - Replaced QIP Program	300,000	450,000	450,000	500,000	500,000	600,000	0	0	0	0	0	0	2,800,000
C	R12-**C1	Mains - Unscheduled	81,500	51,000	61,000	61,000	71,000	71,000	57,029	58,279	28,279	58,029	77,000	77,000	752,116
D	R12-**D1	Mains - Relocated	20,000	40,000	40,000	40,000	60,000	60,000	25,000	20,000	20,000	19,000	45,000	50,000	439,000
E	R12-**E1	Hydrants, Valves, and Manholes - New	10,000	25,000	30,000	30,000	27,500	25,000	6,295	20,100	0	0	5,000	5,000	183,895
F	R12-**F1	Hydrants, Valves, and Manholes - Replaced	49,000	39,000	41,000	41,000	41,000	49,000	33,900	32,300	7,186	7,187	30,000	30,000	400,573
G	R12-**G1	Services and Laterals - New	60,000	71,000	95,000	98,000	98,000	128,000	58,000	33,980	30,000	15,000	45,000	76,500	808,480
H	R12-**H1	Services and Laterals - Replaced	31,000	37,000	38,000	58,000	48,000	49,000	31,200	31,200	31,200	27,790	16,500	21,500	420,390
I	R12-**I1	Meters - New	41,000	47,000	47,000	67,000	63,000	63,000	53,000	43,000	33,000	23,490	25,000	30,000	535,490
J	R12-**J1	Meters - Replaced	52,000	112,000	135,000	140,000	130,000	110,000	296,329	612,422	200,000	200,000	79,800	80,000	2,147,551
K	R12-**K1	ITS Equipment and Systems	0	100,000	0	0	104,888	0	6,093	99,790	40,000	0	0	50,000	400,771
L	R12-**L1	SCADA Equipment and Systems	10,000	25,000	35,000	36,200	35,000	35,000	40,344	8,643	50,000	50,000	4,500	4,300	333,987
M	R12-**M1	Security Equipment and Systems	0	10,000	20,000	20,000	30,000	30,000	40,860	602	344	0	5,000	25,000	181,806
N	R12-**N1	Offices and Operations Centers	0	0	0	25,000	50,000	50,000	25,000	0	0	0	0	10,000	160,000
O	R12-**O1	Vehicles	0	100,000	175,000	225,000	100,000	105,000	100,000	100,000	0	0	0	0	905,000
P	R12-**P1	Tools and Equipment	20,000	25,000	60,000	70,000	70,000	71,000	50,000	25,500	25,500	25,000	7,000	7,000	456,000
Q	R12-**Q1	Process Plant Facilities and Equipment	150,000	200,000	220,000	275,000	264,300	208,900	170,228	48,920	270,208	280,000	100,000	100,000	2,287,556
S	R12-**S1	Engineering Studies	3,500	3,500	5,000	5,000	5,000	5,000	3,000	3,000	3,000	3,000	3,500	3,500	46,000
		Subtotal:	**$1,148,000**	**$1,675,500**	**$1,822,000**	**$2,116,200**	**$2,152,688**	**$2,109,900**	**$1,441,278**	**$1,427,736**	**$868,717**	**$839,746**	**$939,300**	**$990,800**	**$17,531,865**

Centrally Sponsored Projects	Project #	Descriptions	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Total
CS	R12-**K3	ITS Equipment and Systems - Centrally Sponsored	229,251	189,845	189,845	172,648	211,345	207,733	159,348	174,154	144,771	99,876	226,163	246,508	2,251,486
		Subtotal:	**$229,251**	**$189,845**	**$189,845**	**$172,648**	**$211,345**	**$207,733**	**$159,348**	**$174,154**	**$144,771**	**$99,876**	**$226,163**	**$246,508**	**$2,251,486**

Investment Projects	Project #	Descriptions	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Total
IP	I12-000001	Post Acquisition BD Capex	0	0	20,000	46,931	53,090	63,862	0	0	0	0	0	0	183,883
IP	I12-000002	Post Acquisition BD Capex (Livingston/ Rockcastle)	0	0	0	26,931	43,090	53,862	0	0	0	0	0	0	123,883
IP	I12-020037	KRS I Chemical Storage and Feed Imp	36,413	45,078	50,637	77,308	98,882	134,789	50,000	65,000	0	0	11,035	11,106	580,248
IP	I12-020039	Delaplain Booster Station	204,677	150,814	96,952	70,021	21,545	0	100,000	75,000	0	0	0	0	719,009
IP	I12-020055	New Circle Rd Main Relocation Phase 2	101,423	70,021	26,931	0	0	0	0	0	0	0	55,178	77,601	331,154
IP	I12-020059	KRS2 Transfer Switch	0	0	150,814	150,814	96,952	95,121	0	0	0	0	0	0	493,701
IP	I12-020064	KRSI HS#12	199,290	150,814	53,862	0	0	0	0	0	0	0	0	0	403,966
IP	I12-020067	RRS Chemical Facility Upgrade/Chlor	0	0	0	0	0	0	50,000	50,000	0	0	1,213,882	1,221,671	2,535,553
IP	I12-020070	KRS1 Valve House Rehabilitation (Phase 4) - Reeves Drives	204,677	161,587	161,587	52,031	10,772	0	0	0	0	0	0	0	590,654
IP	I12-020071	KRS1 Valve House Rehabilitation (Phase 5) - Reeves Drives	0	0	0	0	0	0	0	0	0	0	300,000	300,000	600,000
IP	I12-020074	Athens Boonesboro Main Ext - Phase	150,814	150,814	150,814	150,814	96,952	79,770	120,000	100,000	100,000	50,000	0	0	1,149,978
IP	I12-020076	KRS1 - Replace Incline Car	75,407	150,814	129,269	86,180	39,837	10,772	0	0	0	0	193,118	166,769	852,165
IP	I12-020079	Jacobson Pump Station	0	0	0	0	0	0	15,000	25,000	0	0	331,059	333,183	704,242
IP	I12-020089	Millersburg Chemical Feed & WQ Impr	0	0	0	0	0	0	25,000	0	0	0	0	0	25,000
IP	I12-020091	KRS1 - Overhead Power Line Relocation	0	0	0	0	0	0	275,000	150,000	150,000	0	0	0	575,000
IP	I12-020099	KRS1 Pump #13 Replacement	0	0	0	0	0	0	0	0	0	0	25,000	25,000	50,000
IP	I12-020035	KRS1 - Residual Improvements	0	0	0	0	0	0	45,000	15,000	0	0	0	0	60,000
IP	I12-020088	Presure Zone Extension	0	0	0	0	0	0	50,000	0	0	0	0	0	50,000
IP	I12-300008	Owenton Operations Garage	0	0	0	0	14,159	36,204	42,090	69,020	0	0	0	0	161,473
		Subtotal:	**$972,701**	**$879,942**	**$840,866**	**$661,030**	**$475,279**	**$474,380**	**$772,090**	**$549,020**	**$250,000**	**$50,000**	**$2,129,272**	**$2,135,330**	**$10,189,910**

		Total Water SCEP	**$2,349,952**	**$2,745,287**	**$2,852,711**	**$2,949,878**	**$2,839,312**	**$2,792,013**	**$2,372,716**	**$2,150,910**	**$1,263,488**	**$989,622**	**$3,294,735**	**$3,372,637**	**$29,973,261**

Kentucky American Water
Case No. 2018-00358
Budget for 12 Months Preceding the End of Forecast Year, Adjusted to Remove Rate Case Results, Water Business Units Only

Line	Line Description	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total
P02	Water revenues - residential	$4,822,203	$4,877,443	$4,804,358	$4,632,996	$4,253,254	$4,297,301	$4,004,629	$3,819,181	$4,033,932	$4,056,701	$4,419,826	$4,593,399	$52,615,223
P03	Water revenues - commercial	2,320,632	2,357,964	2,309,420	2,228,630	1,907,030	1,826,160	1,873,018	1,786,281	1,886,723	1,897,373	2,067,211	2,148,393	24,608,835
P04	Water revenues - industrial	256,653	268,543	249,030	247,186	211,977	192,847	206,286	196,733	207,795	208,968	227,673	236,614	2,710,305
P05	Water revenues - public fire	362,815	362,635	362,635	362,995	363,309	363,264	314,968	300,382	317,273	319,064	347,624	361,275	4,138,239
P06	Water revenues - private fire	240,530	240,530	240,530	240,530	240,530	240,530	208,736	199,070	210,264	211,451	230,378	239,425	2,742,504
P07	Water revenues - public authority	711,082	734,310	664,796	588,305	478,566	440,578	523,242	499,011	527,071	530,046	577,492	600,170	6,874,669
P08	Water revenues - sales for resale	211,217	220,411	209,597	191,003	156,868	156,497	165,694	158,021	166,907	167,849	182,874	190,055	2,176,993
P09	Water revenues - other	7,443	12,099	6,072	9,838	5,643	5,180	6,693	6,383	6,742	6,780	7,387	7,677	87,937
P11	Other revenues	227,343	280,349	227,343	223,704	200,768	189,373	201,709	200,828	204,955	202,086	229,690	236,288	2,624,436
	Total Revenues	9,159,918	9,354,284	9,073,781	8,725,187	7,817,945	7,711,730	7,504,975	7,165,890	7,561,662	7,600,318	8,290,155	8,613,296	98,579,141
P13	Purchased water	23,540	27,354	27,676	28,835	27,746	27,477	26,705	28,516	26,076	24,434	28,508	24,430	321,297
P14	Fuel and power	363,966	398,290	353,334	328,151	310,342	356,773	376,047	378,433	384,970	413,436	370,493	345,968	4,380,204
P15	Chemicals	228,733	238,524	194,446	201,237	137,371	147,598	116,942	100,029	154,833	193,362	209,139	213,481	2,135,696
P16	Waste disposal	36,306	37,806	36,070	39,159	36,391	36,047	26,740	25,535	25,327	25,696	27,291	26,749	379,117
P17	Salaries and wages	676,258	648,702	624,914	676,258	629,413	662,210	691,080	605,741	637,940	671,643	700,881	618,369	7,843,409
P18	Pension expense	30,001	30,001	30,001	30,001	30,001	30,001	31,154	31,154	31,154	31,154	31,154	31,154	366,930
P19	OPEB expense	5,726	5,726	5,726	5,726	5,726	5,726	5,930	5,930	5,930	5,930	5,930	5,930	69,936
P20	Group insurance expense	124,691	124,691	124,691	124,691	125,299	124,799	130,854	130,336	130,224	130,224	130,224	130,742	1,531,466
P21	Other benefits	44,305	53,171	45,312	57,031	47,299	49,078	44,409	47,674	58,805	52,936	46,680	41,636	588,336
P22	Service Company Costs	808,330	783,918	892,681	808,313	758,446	888,568	837,687	764,992	899,823	820,777	828,684	891,880	9,984,099
P23	Contracted services	73,462	75,318	79,034	74,645	75,091	69,214	89,004	78,465	81,579	79,761	82,930	85,945	944,448
P24	Building Maintenance and Services	55,233	48,335	63,261	55,855	47,531	63,734	57,519	79,861	61,020	52,849	60,563	63,109	708,870
P25	Telecommunication expenses	20,099	19,918	19,881	19,657	19,729	19,604	21,648	22,003	21,865	21,873	21,596	21,778	249,651
P26	Postage, printing and stationary	2,277	2,337	2,350	3,195	2,351	3,335	2,756	2,541	3,075	2,481	2,622	2,828	32,148
P27	Office supplies and services	29,045	31,617	26,975	28,116	27,245	24,978	30,401	29,691	29,573	30,143	30,325	28,706	346,815
P28	Advertising & marketing expenses	1,000	750	1,000	1,000	750	1,000	1,100	825	1,100	1,100	825	1,100	11,550
P29	Employee related expense travel & ent	17,108	11,058	12,091	13,461	9,951	13,504	11,580	9,228	12,823	11,616	11,601	12,639	146,660
P30	Miscellaneous expenses	4,864	13,249	20,257	20,289	25,071	34,212	97,462	46,245	32,927	17,223	12,612	35,565	359,976
P31	Rents	2,258	1,780	2,000	1,859	1,780	1,700	1,780	1,929	1,780	1,780	2,900	1,856	23,402
P32	Transportation	26,696	28,400	31,073	49,713	34,452	32,241	33,856	39,421	58,767	31,371	29,611	28,363	423,964
P33	Uncollectible accounts expense	84,172	85,433	83,454	80,215	72,217	71,362	68,746	65,695	69,206	69,573	75,563	78,654	904,291
P34	Customer accounting, other	92,499	92,702	93,310	93,451	93,825	92,568	101,476	103,009	100,911	103,965	114,001	107,480	1,189,197
P35	Regulatory expense	24,115	51,893	28,390	28,390	28,390	28,390	27,855	27,855	27,855	27,855	27,855	27,855	356,698
P36	Insurance other than group	56,420	56,420	56,420	56,420	102,052	56,420	55,720	55,720	55,720	55,720	55,720	55,720	718,472
P37	Maintenance supplies and services	168,881	168,881	168,881	168,881	168,881	168,885	185,769	185,769	185,769	185,769	185,769	185,769	2,127,904
	Total O&M	2,999,985	3,036,274	3,023,228	2,994,549	2,817,349	3,009,424	3,074,221	2,866,597	3,099,053	3,062,672	3,093,477	3,067,706	36,144,535
P40	Depreciation	1,198,494	1,202,148	1,208,771	1,212,862	1,215,893	1,217,074	1,270,179	1,270,917	1,271,765	1,272,859	1,274,881	1,280,163	14,896,006
P41	Amortization	23,241	23,241	23,241	23,241	23,241	23,241	23,241	23,241	23,241	23,241	23,241	23,241	278,892
P42	Removal costs, net	193,478	194,061	195,169	195,829	196,302	196,446	218,536	218,604	218,693	218,830	219,144	219,547	2,484,639
P43	Current federal income taxes - operating	734,371	811,648	721,432	676,809	525,966	375,723	315,178	289,941	329,824	345,755	507,508	586,322	6,220,477
P44	Current state income taxes - operating	175,096	194,464	171,853	160,669	122,864	85,209	0	0	0	0	0	0	910,155
P45	Deferred federal income tax expense	(135,666)	(179,288)	(142,588)	(166,822)	(155,903)	(69,776)	0	0	0	0	0	0	(850,043)
P46	Deferred state income tax expense	(15,513)	(26,446)	(17,248)	(23,321)	(20,585)	1,001	0	0	0	0	0	0	(102,112)
P47	Amortization of investment tax credits	(6,541)	(6,541)	(6,541)	(6,541)	(6,541)	(6,541)	0	0	0	0	0	0	(39,246)
P48	General taxes	585,566	583,489	580,706	600,818	580,943	582,301	600,155	586,993	582,579	584,362	585,363	579,040	7,032,315
	Total Other Operating Expenses	2,752,526	2,796,776	2,734,795	2,673,544	2,482,180	2,404,678	2,427,289	2,389,696	2,426,102	2,445,047	2,610,137	2,688,313	30,831,083
	Utility Operating Income	3,407,407	3,521,234	3,315,758	3,057,094	2,518,416	2,297,628	2,003,465	1,909,597	2,036,507	2,092,599	2,586,541	2,857,277	31,603,523
P51	Interest Income	0	0	0	0	0	0	(1,819)	(1,819)	(1,819)	(1,819)	(1,819)	(1,819)	(10,914)
P52	Allowance for funds used during construction	(54,393)	(61,238)	(62,890)	(65,594)	(71,772)	(78,057)	(25,053)	(27,539)	(30,063)	(32,916)	(41,682)	(53,532)	(604,729)
P53	Other miscellaneous income	0	0	0	0	0	0	12,682	11,991	5,650	5,171	5,171	9,871	50,536
P56	Other miscellaneous deductions	(98,341)	(93,724)	(98,341)	(103,341)	(103,341)	(103,341)	(108,990)	(108,990)	(108,990)	(108,990)	(108,990)	(108,990)	(1,254,369)
P59	Interest on long-term debt	1,071,985	1,071,985	1,071,985	1,071,985	1,071,985	1,071,985	1,044,949	1,044,949	1,044,949	1,044,949	1,066,578	1,088,207	12,766,491
P60	Interest on short-term debt	(1,654)	(7,624)	640	(4,560)	(5,147)	24,564	22,380	17,044	19,532	23,359	(9,345)	5,919	85,108
P62	Allowance for borrowed funds used during cons	(28,002)	(31,446)	(32,277)	(33,638)	(36,747)	(39,909)	(19,105)	(20,924)	(22,770)	(24,859)	(31,272)	(39,943)	(360,892)
P63	Amortization of debt expense	9,739	9,739	9,739	9,739	9,739	9,739	9,021	9,021	9,021	9,021	9,595	10,170	114,283
P65	Common Dividends	0	0	3,360,749	0	0	5,664,426	0	0	4,086,806	0	0	2,302,460	15,414,441
	Other Net Deductions	899,334	887,692	4,249,605	874,591	864,717	6,549,407	934,065	923,733	5,002,316	913,916	888,236	3,212,343	26,199,955
	Net Income	$2,508,073	$2,633,542	($933,847)	$2,182,503	$1,653,699	($4,251,779)	$1,069,400	$985,864	($2,965,809)	$1,178,683	$1,698,305	($355,066)	$5,403,568

Kentucky American Water
Case No. 2018-00358
Budgeted Construction Expenditures, Adjusted with Known and Measurable Changes, Water Business Units Only
For the Twelve Months Preceding the End of the Forecast Period

Recurring Projects	Project #	Description	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total
DV	D12-**01-P	Projects Funded by Others	$275,000	$275,000	$250,000	$205,000	$150,000	$150,000	$125,000	$150,000	$220,000	$220,000	$230,000	$250,000	$2,500,000
A	R12-**A1	Mains - New	77,000	77,000	64,500	37,000	26,000	26,000	21,000	21,000	28,000	41,000	71,000	77,000	566,500
B	R12-**B1	Mains - Replaced / Restored	475,000	470,000	375,000	370,000	370,000	355,000	500,000	500,000	500,000	500,000	500,000	500,000	5,415,000
C	R12-**C1	Mains - Unscheduled	76,500	76,500	51,500	62,000	62,000	77,000	80,000	80,000	67,000	69,000	72,000	88,500	862,000
D	R12-**D1	Mains - Relocated	140,000	140,000	140,000	50,000	50,000	52,550	45,000	50,000	50,000	30,000	30,000	30,000	807,550
E	R12-**E1	Hydrants, Valves, and Manholes - New	27,500	25,500	20,500	15,500	10,000	8,750	5,000	5,000	15,000	25,000	29,250	30,000	217,000
F	R12-**F1	Hydrants, Valves, and Manholes - Replaced	51,000	49,000	47,800	46,200	27,000	14,960	30,000	30,000	38,500	38,500	56,500	57,500	486,960
G	R12-**G1	Services and Laterals - New	103,000	128,000	128,000	121,480	80,000	53,125	45,000	76,500	66,500	86,500	88,000	103,000	1,079,105
H	R12-**H1	Services and Laterals - Replaced	69,000	64,000	49,000	58,000	43,000	32,500	16,500	21,500	37,000	34,000	39,000	69,000	532,500
I	R12-**I1	Meters - New	87,700	88,000	88,000	78,000	78,000	51,789	25,000	30,000	50,886	58,750	77,000	86,875	800,000
J	R12-**J1	Meters - Replaced	155,750	150,000	150,000	145,489	130,000	110,000	79,800	80,000	85,000	120,000	125,000	125,000	1,456,039
K	R12-**K1	ITS Equipment and Systems	90,000	0	0	26,769	0	0	0	50,000	0	80,000	0	0	246,769
L	R12-**L1	SCADA Equipment and Systems	30,000	30,000	30,000	25,000	15,000	4,200	4,500	4,300	10,000	20,000	25,000	25,000	223,000
M	R12-**M1	Security Equipment and Systems	78,735	75,000	40,000	15,000	9,265	0	5,000	5,000	5,000	5,000	500	5,000	243,500
N	R12-**N1	Offices and Operations Centers	30,000	10,000	10,000	10,000	0	0	0	10,000	10,000	10,000	30,000	30,000	150,000
O	R12-**O1	Vehicles	100,000	100,000	200,000	0	0	0	0	0	0	90,000	90,000	100,000	680,000
P	R12-**P1	Tools and Equipment	60,000	510,000	30,000	26,000	15,500	10,600	7,000	7,000	7,000	52,000	45,000	60,000	830,100
Q	R12-**Q1	Process Plant Facilities and Equipment	240,000	210,000	200,000	105,000	100,000	75,000	105,000	110,000	170,000	225,000	195,000	280,000	2,015,000
S	R12-**S1	Engineering Studies	10,000	10,000	5,000	5,000	5,000	5,000	3,500	3,500	3,500	4,500	10,000	10,000	75,000
		Subtotal:	**$2,176,185**	**$2,488,000**	**$1,879,300**	**$1,401,438**	**$1,170,765**	**$1,026,474**	**$1,097,300**	**$1,233,800**	**$1,363,386**	**$1,709,250**	**$1,713,250**	**$1,926,875**	**$19,186,023**

Centrally Sponsored Project	Project #	Description	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total
CS	R12-**K3	ITS Equipment and Systems - Centrally Sponsored	246,508	308,219	308,219	246,508	308,219	329,242	246,600	246,600	246,600	246,600	246,600	246,600	3,226,514
		Subtotal:	**$246,508**	**$308,219**	**$308,219**	**$246,508**	**$308,219**	**$329,242**	**$246,600**	**$246,600**	**$246,600**	**$246,600**	**$246,600**	**$246,600**	**$3,226,514**

Investment Project	Project #	Description:	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total
IP	I12-020037	KRS I Chemical Storage and Feed Imp	61,467	61,541	61,541	185,057	328,419	462,398	1,922,177	1,880,056	1,823,528	195,000	55,000	55,000	7,091,184
IP	I12-020055	New Circle Rd Main Relocation Phase 2	114,405	76,515	10,957	0	0	0	0	0	0	0	0	0	201,877
IP	I12-020059	KRS2 Transfer Switch	0	0	0	0	145,939	188,318	202,806	204,236	192,958	0	0	0	934,257
IP	I12-020067	RRS Chemical Facility Upgrade/Chlor	871,229	577,500	577,500	577,500	365,439	0	0	0	0	0	0	0	2,969,168
IP	I12-020074	Athens Boonesboro Main Ext - Phase	1,193	0	0	0	0	0	0	0	0	0	0	0	1,193
IP	I12-020076	KRS1 - Replace Incline Car	87,720	88,276	74,103	0	0	0	0	0	0	0	0	0	250,099
IP	I12-020079	Jacobson Pump Station	88,000	25,245	0	0	0	0	0	0	0	0	0	0	113,245
IP	I12-300008	Owenton Operations Garage	66,566	111,134	84,259	84,800	85,344	85,891	69,890	69,235	59,747	37,473	0	0	754,338
IP	I12-020094	Cox Street Booster	111,061	111,774	222,569	201,274	219,695	23,274	0	0	0	0	0	0	889,647
IP	I12-020095	Mercer Road Booster Station	0	0	0	110,353	111,061	111,774	222,569	201,274	219,695	23,274	0	0	1,000,000
IP	I12-030001	ERWA Main Interconnection	0	0	0	110,353	105,228	139,909	107,116	105,368	3,645	3,668	3,691	3,715	582,693
		Subtotal:	**$1,401,641**	**$1,051,985**	**$1,030,930**	**$1,269,336**	**$1,361,124**	**$1,011,564**	**$2,524,558**	**$2,460,168**	**$2,299,573**	**$259,415**	**$58,691**	**$58,715**	**$14,787,701**
		TOTAL WATER SCEP:	**$3,824,334**	**$3,848,204**	**$3,218,449**	**$2,917,282**	**$2,840,109**	**$2,367,280**	**$3,868,458**	**$3,940,568**	**$3,909,559**	**$2,215,265**	**$2,018,541**	**$2,232,190**	**$37,200,238**

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 14

Description of Filing Requirement:

Statement of Attestation signed by Kentucky-American Water Company's Chief Officer (Mr. Nick Rowe) in charge of Kentucky Operations.

Response:

Please see attached.

For electronic version, see KAW_APP_EX14_112818.pdf.

KENTUCKY PUBLIC SERVICE COMMISSION

KENTUCKY-AMERICAN WATER COMPANY

CASE NO. 2018-00358

Comes Nick O. Rowe, President of Kentucky-American Water Company, and as required by 807 KAR 5:001, Section 16(7)(e), does hereby attest as follows:

1. That the forecast utilized by Kentucky-American Water Company in Case No. 2018-00358 is reasonable, reliable, made in good faith, and all basic assumptions used in the forecast have been identified and justified;

2. That the forecast utilized by Kentucky-American Water Company in Case No. 2018-00358 contains the same assumptions and methodologies as in the forecast prepared for use by management, except for the differences that have been identified and explained in the filing requirements and schedules thereto; and

3. That productivity and efficiency gains are included in the forecast.

Nick O. Rowe

Date: 11/19/18

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of November, 2018.

Sharon Miller (SEAL)
Notary Public

My Commission Expires:

7/25/2020

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 15

Description of Filing Requirement:

Information regarding major construction projects which constitute 5% or more of the annual construction budget.

Response:

Please see attached.

For electronic version, see KAW_APP_EX15_112818.pdf.

KENTUCKY AMERICAN WATER
CASE NO. 2018-00358
MAJOR CONSTRUCTION PROJECTS
COMPRISING 5% OR MORE OF THE ANNUAL BUDGET

Investment Project Number	Project Description	Actual or Estimated Start Up Date	Estimated Completion Date	Estimated Costs Inclusive of AFUDC			Estimated Costs Exclusive of AFUDC			Costs incurred to Date * Inclusive of AFUDC	Costs Incurred to Date * Exclusive of AFUDC
				2019	2020	2021	2019	2020	2021		
I12-020037	KRS I Chemical Storage and Feed Imp	11/2018	3/31/2020	$1,227,706	$5,984,956		$1,153,078	$5,895,717		$1,247,031	$1,158,605
I12-020067	RRS Chemical Facility Upgrade/Chlor	11/2018	7/31/2019	$9,761,231			$9,704,119			$752,790	$720,398
I12-020079	Jacobson Pump Station	11/2018	6/30/2019	$1,805,169			$1,761,911			$160,697	$148,784
I12-020080	KRS1 Pump 10 and 11 Replacements	1/2021	9/30/2021			$2,250,270			$2,243,706	$0	$0
I12-020098	KRS1 Control room/Clearwell/Pumps	1/2021	12/31/2023			$3,500,000			$3,298,200	$0	$0

* Represents Construction costs as of 10/31/2018

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 16

Description of Filing Requirement:

Information regarding major construction projects which constitute less than 5% of the annual construction budget.

Response:

Please see attached.

For electronic version, see KAW_APP_EX16_112818.pdf.

KENTUCKY AMERICAN WATER
CASE NO. 2018-00358
MAJOR CONSTRUCTION PROJECTS
COMPRISING 5% OR LESS OF THE ANNUAL BUDGET

Investment Project Number	Project Description	Actual or Estimated Start Up Date	Estimated Completion Date	Estimated Costs Inclusive of AFUDC			Estimated Costs Exclusive of AFUDC			Costs incurred to Date * Inclusive of AFUDC	Costs Incurred to Date * Exclusive of AFUDC
				2019	2020	2021	2019	2020	2021		
Various	Aggregate of all Construction Costs incurred under 5% of the Annual Construction Budget	Various	Various	$8,143,009	$1,753,156	$1,073,686	$8,020,295	$1,649,650	$991,828	$3,234,081	$3,122,346

* Represents Construction costs as of 10/31/2018

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 17

Description of Filing Requirement:

Financial Forecast (for 2019-2021) Operating Income Statements

Response:

Please see attached.

For electronic version, see KAW_APP_EX17_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY
PROJECTED ANNUAL INCOME STATEMENT

	2019	2020	2021
Operating Revenues	90,060,083	87,629,587	87,552,039
Operating Expenses			
Operation & Maintenance	36,015,023	36,954,842	36,359,538
Depreciation and Amortizatoin	17,262,982	18,730,807	19,491,729
General Taxes	7,032,483	7,043,077	7,208,963
Loss (gain) on Sale of Assets	0	0	0
Income Taxes	4,466,232	3,024,294	2,808,102
Total Operating Expenses	64,776,720	65,753,020	65,868,332
Utility Operating Income	25,283,363	21,876,567	21,683,707
Other Income	2,283,235	2,333,289	2,000,364
Total Income	27,566,598	24,209,856	23,684,071
Income Deductions	(106,372)	(126,000)	(100,000)
Income Before Interest	27,460,226	24,083,856	23,584,071
Interest Charges	12,872,357	13,281,251	13,354,452
Net Income	14,587,869	10,802,605	10,229,620
Preferred Dividends	0	0	0
Net Income to Common	14,587,869	10,802,605	10,229,620
Common Dividends	10,940,901	8,101,954	7,672,215
Balance for Retained Earnings	3,646,967	2,700,651	2,557,405
Payout Ratio	75%	75%	75%
Return on Common Equity - 12/31	6.9%	5.0%	4.5%
Common Equity - 12/31	210,273,448	218,011,555	225,954,549

Note: Forecast does not include projection of current rate case

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 18

Description of Filing Requirement:

Financial Forecast (for 2019-2021) Balance Sheet

Response:

Projected End-of-Year Balance Sheet

($000)	2019	2020	2021
Fixed Assets	$627,363	$643,427	$654,576
Non-Utility Property	250	250	250
Current Assets	13,962	14,084	14,296
Deferred Debits	13,248	12,853	12,457
TOTAL ASSETS	$654,823	$670,614	$681,579
Total Capital	$430,221	$437,959	$446,302
Current Liabilities	19,042	24,401	24,536
Deferred Credits	205,560	208,254	210,741
TOTAL CAPITAL & LIABILITIES	$654,823	$670,614	$681,579

For electronic version, see KAW_APP_EX18_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 19

Description of Filing Requirement:

Financial Forecast (for 2019-2021) Cash Flow Statements

Response:

Please see attached. The forecast does not include projection of the current rate case.

For electronic version, see KAW_APP_EX19_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY
STATEMENT OF CASH FLOWS
(000'S OMITTED)

	2019	2020	2021
Net Income	14,588	10,803	10,230
Depreciation & amortization	17,375	18,848	19,609
Provision for Deferred Income Tax	(1,452)	305	457
AFUDC Equity	(645)	(541)	(299)
Pension and non-pension post retirement	(1,257)	(1,385)	(1,483)
Other, net	4,018	(1,086)	(657)
Changes in assets and liabilities	2,954	(457)	(118)
Net Cash from Operations	**35,581**	**26,486**	**27,738**
Cash Flow from Investing Activites			
Capital expenditures	(40,717)	(32,458)	(28,648)
AFUDC Equity	645	541	299
Removal costs from property plan and equipment retirements	(1,472)	(1,523)	(1,944)
Net Cash from Investing	**(41,544)**	**(33,440)**	**(30,292)**
Cash Flow from Financing Activites			
Proceeds from long-term debt	16,000	-	400
Net borrowings (repayments) under short-term debt agreements	(897)	5,274	42
Advances and contributions for construction net of refunds	4,675	4,325	4,400
Capital Contribution	-	2,100	2,300
Debt issuance costs	(132)	-	-
Dividends paid	(10,941)	(8,102)	(7,672)
Net Cash from Financing	**8,705**	**3,597**	**(530)**
Cash Generated During the Year	**2,741**	**(3,357)**	**(3,085)**
Beginning Cash Balance	**43**	**2,784**	**(573)**
Ending Cash Balance	**2,784**	**(573)**	**(3,658)**

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 20

Description of Filing Requirement:

Financial Forecast (for 2019-2021) Revenue Requirements

Response:

Please refer to Exhibit No. 17 for Revenue Requirements. Also see Exhibit 37C for the revenue requirement for the forecasted test-year ended June 2020.

For electronic version, see KAW_APP_EX20_112818.pdf for this document, KAW_APP_EX17_112818.pdf for Revenue Requirements, and KAW_APP_EX37C_112818.pdf for Exhibit 37C.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 21

Description of Filing Requirement:

Financial Forecast (for 2019-2021) Employee Level

Response:

Year End Number of Employees:	2019	2020	2021
	152	152	152

For electronic version, see KAW_APP_EX21_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 22

Description of Filing Requirement:

Financial Forecast (for 2019-2021) Labor Cost Changes

Response:

Total Labor Cost Changes	2019	2020	2021
O&M	$ 7,777,238	$ 8,057,219	$ 8,271,172
Capital	$ 2,769,196	$ 2,868,887	$ 3,059,200
Total	$10,546,434	$10,926,106	$11,330,372

For electronic version, see KAW_APP_EX22_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 23

Description of Filing Requirement:

Financial Forecast (for 2019–2021) Capital Structure Requirements

Response:

Please see attached.

For electronic version, see KAW_APP_EX23_112818.pdf.

Kentucky-American Water Company
FINANCING PROJECTIONS
($000)

Increments of New Capital

Calendar Year	Bank Loans	Debt	Preferred	Common
2019	(6,073)	16,000	0	6,000
2020	7,611	0	0	0
2021	42	0	0	0

Total Capitalization

As of December 31,	Bank Loans	Debt	Preferred	Common
2019	12,437	221,541	2,250	216,244
2020	20,047	221,548	2,250	223,982
2021	20,089	221,555	2,250	231,925

Capitalization Ratios

As of December 31,	Bank Loans	Debt	Preferred	Common
2019	2.75%	48.96%	0.50%	47.79%
2020	4.29%	47.36%	0.48%	47.88%
2021	4.22%	46.56%	0.47%	48.74%

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 24

Description of Filing Requirement:

Financial Forecast (For 2019-2021) Rate Base

Response:

12/31/2019	Rate Base	$ 441,490,000
12/31/2020	Rate Base	$ 453,969,000
12/31/2021	Rate Base	$ 459,900,000

For electronic version, see KAW_APP_EX24_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 25

Description of Filing Requirement:

Financial Forecast (2019-2021) Water Sales (Gallons)

Response:

Water Sales (000 Gallons)	2019	2020	2021
Residential	5,663,415	5,593,795	5,519,543
Commercial	3,808,912	3,786,185	3,763,302
Industrial	626,699	607,799	607,799
Other Public Authority	1,165,872	1,165,872	1,165,872
Sale for Resale	430,237	426,827	426,827
Total	**11,695,135**	**11,580,478**	**11,483,343**

For electronic version, see KAW_APP_EX25_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 26

Description of Filing Requirement:

Financial Forecast (for 2019-2021) Customer Forecast

Response:

Customers	2019	2020	2021
Residential	121,367	122,379	123,391
Commercial	9,094	9,094	9,094
Industrial	29	28	28
Other Public Authority	748	748	748
Sale for Resale	14	14	14
Fire Services	2,362	2,362	2,362
Total	**133,614**	**134,625**	**135,637**

For electronic version, see KAW_APP_EX26_112818.pdf.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 27

Description of Filing Requirement:

Most Recent Stock or Bond Prospectus

Response:

There has been no common stock prospectus. Please see attached for a copy of the executed Promissory Note for KAWC's most recent debt issuance, the $5.0 million of long-term debt issued on September 13, 2017. There was no prospectus since this was not a public offering.

For electronic version, see KAW_APP_EX27_112818.pdf.

PROMISSORY NOTE
FOR LONG-TERM BORROWINGS
3.750% Maturity due September 1, 2047

$5,000,000 **September 13, 2017**

FOR VALUE RECEIVED, **Kentucky-American Water Company, an Kentucky corporation** (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at 1025 Laurel Oak Rd. Voorhees, NJ 08043 or such other place as Lender may from time to time designate, the principal sum of **five million dollars ($5,000,000)**, together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum, in accordance with the terms attached, a rate equal to or less than equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waivers presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefore shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Kentucky -American Water Company

By: M Gina Money

Mary Gina Money
Director Financial Analysis & Decision Support
Southeast Division

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 28

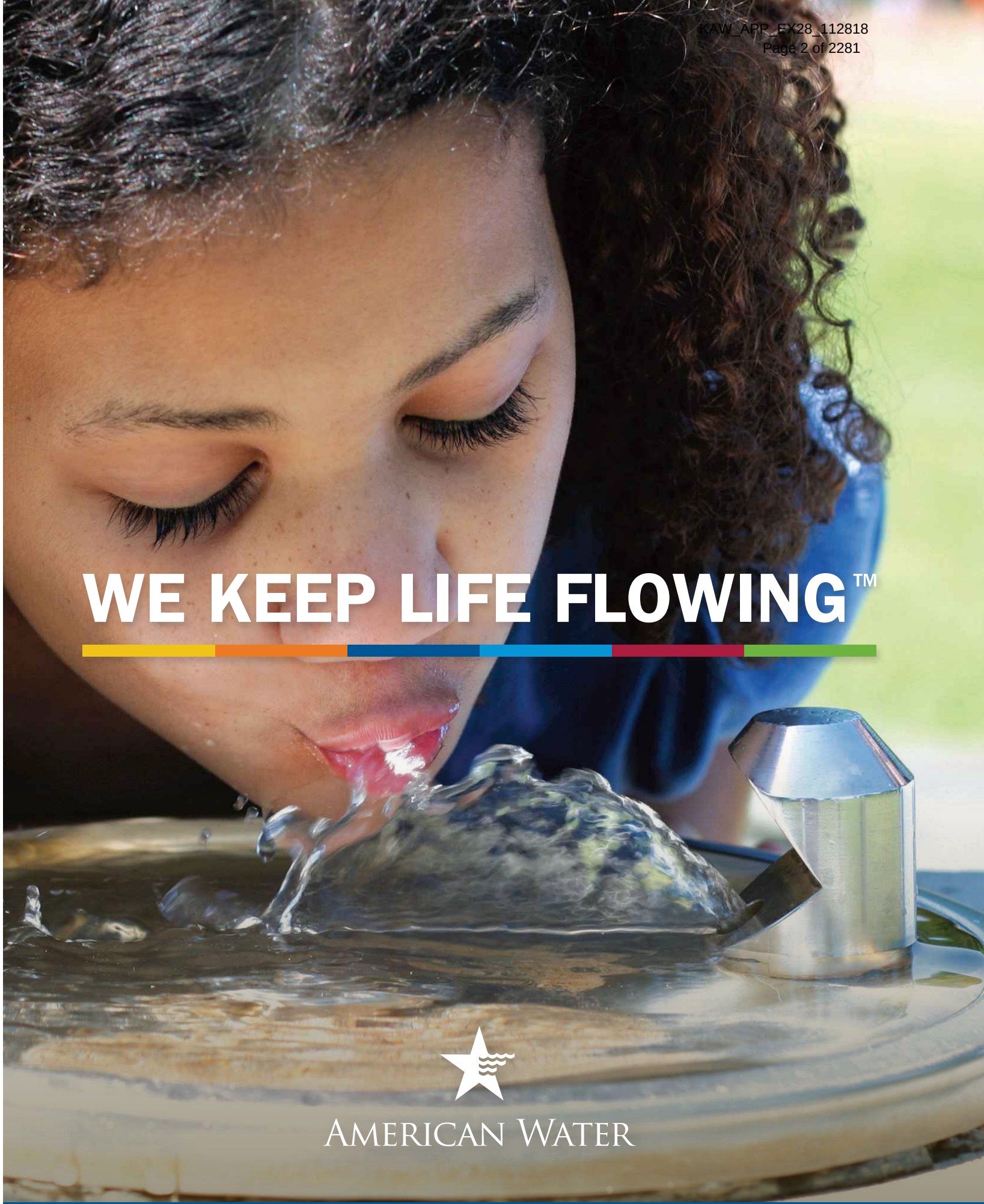
Description of Filing Requirement:

(1) Annual Reports to Stockholders covering the most recent two (2) years from the application filing date.
(2) A copy of Form 10-K as filed with the Securities and Exchange Commission for the most recent two (2) years, any Form 8-K issued during the past two (2) years, and any Form 10-Q issued during the past six (6) quarters.
(3) The quarterly reports to stockholders for the most recent five (5) quarters.

Response:

Please see attached.

For electronic version, see KAW_APP_EX28_112818.pdf.

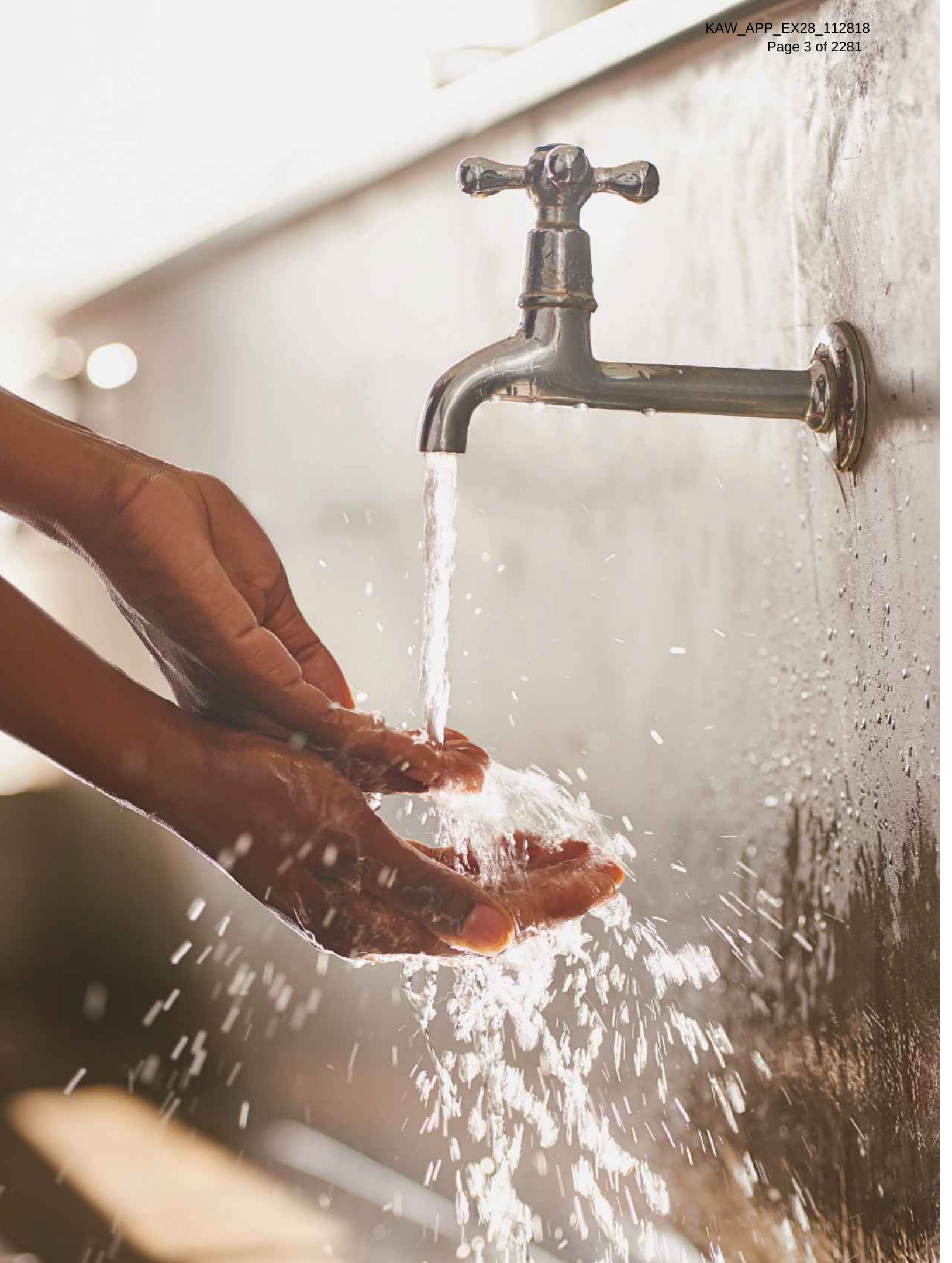


WE KEEP LIFE FLOWING™

AMERICAN WATER

2017 ANNUAL REPORT

AMERICAN WATER
2017 Annual Report



DEAR FELLOW STOCKHOLDER,

Creating value for customers, communities, employees and stockholders is a driving force at American Water. This is reflected in the positive results that the company delivered in 2017.

American Water's 2017 financial performance, detailed in this report, gives the Board confidence that the company is well-positioned to achieve its stated target of a 7 to 10% long-term diluted earnings per share (EPS) compound annual growth rate. Additionally, in recognition of this financial performance, our Board increased the quarterly dividend by 10.7% in the second quarter of 2017, from 37.5 cents to 41.5 cents per share. This is consistent with our goal to achieve our target payout ratio in a range of 50 to 60%.

As an owner of American Water, you enjoyed a total shareholder return (TSR) of 29% during 2017—well above the total shareholder return for the S&P 500 Index, which for 2017 was 21.8%.

These results are an outcome of the sound execution by American Water employees of our business strategy, which allowed the company to continue to provide safe, clean, reliable and affordable water and wastewater services. By focusing on customers, communities, employee development and environmental leadership, American Water has established a pathway to sustainable and profitable growth.

On behalf of American Water and the Board, we want to thank you for your continued support and investment. We look forward to seeing you at our Annual Meeting of Stockholders on May 11.

Sincerely,

G. MacKenzie

George MacKenzie
Chairman of the Board

DEAR FELLOW STOCKHOLDER,

American Water is pleased to provide you another year of strong financial performance. But none of our 2017 results matter if we don't operate in the right way. For us, the "how's" are just as important as the "what's." We know this matters to *you* as well, because companies do well by doing *good*.

This means a commitment to preserving our environment and ensuring that we leave our children and grandchildren the planet and the natural resources we enjoy today—in the same or better condition as we found it. It means protecting our watersheds and water sources, and reducing the amount of greenhouse gases we produce. It means holding ourselves to the highest ethical standards and keeping our employees and our customers safe from harm. It's providing a workplace where every employee is respected and has an opportunity to develop to his or her full potential. And it means building stronger communities and meeting and exceeding the expectations of our customers, communities and those who choose to invest in us.

Our People. It starts with our people. In this report, you will see examples of how our employees make our customers' lives and the communities we serve better. Our folks don't consider what they do to be a job—they consider it a calling. These are the people standing in icy water in the middle of the night to fix a main break so that our customers have water the next day. They are the folks working to keep our plants running and our pipes working before, during and after major events, such as last year's hurricanes, the devastating California fires and January's subzero temperatures. They are our scientists collaborating with the Environmental Protection Agency and addressing critical issues, such as emerging contaminants, to help determine the best ways to keep water as clean and safe as possible. They are our tax professionals, accountants and regulatory experts who worked throughout the holidays and January to translate the impacts of the new Tax Cuts and Jobs Act to our financial statements. Most importantly, they are also the ones working around the clock to ensure that our customers indeed have Clean Water for Life.

Our Customers. Customer experience is a key differentiator among utilities, and our goal is to treat our customers so well that if they were given a choice of a water or wastewater service provider, they would choose us. It's not something you hear every day from a regulated utility.

In 2017, we began a three-year plan to deliver an "Amazon-like" experience to our customers. This means leveraging secure artificial intelligence to predict customers' needs before they ask. It's using online customer communities to get immediate input before rolling out programs. It's mapping our most frequent customer interactions and reworking our internal processes to give customers the services they want, the way they want them—not what we think they want. And it means bringing real water solutions to communities across the United States.

We added 15,000 customers through organic growth in our existing service areas in 2017. Through pending and closed acquisitions, we have added or will add approximately 63,000 customers in our regulated businesses, and we are making a real difference in the communities we serve. For example, in Ransom, Illinois, residents had to drink bottled water due to contaminated wells until Illinois American Water acquired the water system. Now Ransom residents can rely on and drink clean and safe water from their taps when they want or need it. And with the operational efficiencies that resulted from this acquisition, customer bills declined by approximately 15% on average.

In Scranton, our Pennsylvania subsidiary is bringing the wastewater system into environmental compliance, and our purchase of the system enabled the sewer authority to pay off its existing debt.

Within our existing footprint, in 2017, we invested nearly $1.4 billion in our water and wastewater systems to ensure our services remain reliable. From miles of water mains to pumps to treatment plants, we plan and execute a disciplined asset management program to ensure our systems remain resilient.

Our Communities. Our dedicated team of 6,900 professionals really shines when it comes to delivering life-sustaining services every day. Last year, we achieved record levels in safety, capital investment, and operation and management (O&M) efficiency. At the same time, we increased our community giving to United Way and dozens of other health, education and human services organizations. We were also a leader in global clean water efforts through Water For People. Over the last decade, we have donated more than $1.7 million to support this organization's life-changing work to bring needed water to rural communities around the world.

Every September we encourage our people to spend a full day volunteering in their local communities as part of our companywide AmerICANs in Action! Month of Service. They respond with increasing participation each year. In 2017, more than 1,300 American Water personnel took part, providing approximately 4,300 hours of service to 90 different projects. And the American Water Charitable Foundation has donated over $2.5 million through our Employee Volunteer and Matching Gift Program, and our Disaster Relief Program—as well as through our signature program: Building Better Communities.

Our Planet. Being responsible for water and wastewater services also means that we have to ensure the sustainability of these critical services. That includes everything from helping support water security and quality to focusing on energy efficiency that has a positive environmental impact and reduces our carbon footprint.

Some of our efforts include recycling more than 2 billion gallons of water annually, reducing annual water use through conservation and a plan to invest $7.2 billion in the next five years in regulated capital to address infrastructure. And by 2025, our goal is to reduce our greenhouse gas emissions by 40% from the 2007 baseline year (after reducing emissions 25% from 2007 to 2017).

Our Shareholders. All of the above efforts drive our financial performance. Our adjusted earnings per share from 2016 to 2017 increased almost 7%. Our total shareholder return was 29% in 2017, and in 2017 we increased our dividend 10.2%, for a five-year dividend growth CAGR of 11%.

We are glad you have chosen to invest in American Water, and we don't ever take it—or you—for granted. On behalf of the company and our employees, I want to thank you for your continued support. We are proud of what our people achieved in 2017—and are even more excited about our future. We hope that you are too.

Sincerely,

Susan Story

Susan Story
President and Chief Executive Officer

OUR PEOPLE

Our employees don't just work for us. They work for their families, neighbors and friends. Their communities, cities and states. What they provide is an essential human need, so they work for everyone, everywhere, who depends on us to keep water safe, healthy and flowing every single day.

With 10 PhDs and four master's-level professionals on our R&D team, we have some of the best minds in the country focused solely on water quality and technology. We also have skilled teams of engineers, operators, technicians and environmental specialists throughout the company. We know that our critical core competency is water—that's why it's all we focus on.

A year of epic challenges. Because our operations are so widespread, we must prepare for catastrophic events of every kind. From floods to fires, the past year's series of unprecedented disasters emphasized the importance of our foresight and planning.

In August, Hurricane Harvey became the first major hurricane in more than 12 years to make landfall in the United States. Although Texas took the brunt of the storm, a significant impact was felt in Louisiana, where we provide water and wastewater services to the military community of Fort Polk. As the storm deluged the area with up to 20 inches of rain, American Water employees worked steadily to keep operations flowing, without interruption.

Just two weeks later, Hurricane Irma hit Florida and made its way up the Gulf Coast toward Tampa and our desalination plant, which supplies about 10% of the drinking water for the Tampa Bay area. By the time the storm arrived, our emergency plans were in place, and the plant escaped with minimal damage—freeing our employees to aid in recovery efforts throughout the community.

Even more recently, our teams in California tirelessly responded to the massive wildfires in Napa and Sonoma counties to continuously support the heroic firefighters and quickly restore drinking water service to the vast majority of residents.

In winter, our employees work daily in frigid conditions, responding to main breaks that typically occur as lines expand and contract with the temperature. In the final weeks of December 2017 and early January 2018, our crews braved subzero wind chills to make hundreds of repairs and restore service to our customers.

A mutual commitment. Our employees care a lot about their duties, and we care about supporting them in every possible way.

Nothing is more important than making sure our employees return home every day as healthy as when they left. That's why American Water employees receive, collectively, more than 60,000 hours of safety training annually—in classrooms, online and on the job. And it's why our programs and practices not only meet but surpass federal and state regulations that establish standards for workplace safety.

Over the past decade, we have steadily and dramatically reduced workplace injuries. Our goal is zero injuries. In 2017 alone, we saw 43 fewer incidents than the prior year—a 32% drop. And through our Healthy Solutions Wellness program, more than half our total workforce received health screenings and preventive exams.

We also believe in providing an environment where everyone can thrive and achieve their full personal and professional potential. Our training programs and work experiences are designed to equip people with the tools they need to succeed and advance. We also work in partnership with labor unions to further improve our training and safety effectiveness.

Strength in diversity. With nearly half our workforce comprising women, racial and ethnic minorities, disabled individuals, and retired or active military, American Water is a proven leader in promoting diversity at all levels—including on our Board, which in 2017 had a higher proportion of female members than any other S&P 500 company. Moving forward, a long-range strategy to attract diverse employees is a key element of our business plan.

OUR HEROES

Making a difference—one person at a time. Every day, all across the country, there are stories of American Water employees going above and beyond. Here are just a few examples:

As head of a local water company in rural Colombia, **Angelita Fasnacht** helped bring clean water to thousands of people for the first time. However, the terrorist group FARC saw her success as a threat to its authority. In 2000, they kidnapped Angelita and held her captive for over a month. Once freed, she fled the country for the U.S. Today, Angelita is an environmental scientist at American Water, and she also works to fund safe drinking water projects around the world.

Angelita Fasnacht, *Environmental Scientist*

For her dedication to quality service and leadership in protecting natural water resources, **Katherine (Katie) Jamriska** was honored with the National Association of Water Companies' grand-prize 2017 Living Water Award. In addition to serving as supervisor of water quality and environmental compliance for Indiana American Water, Katie successfully lobbied against projects that endangered two drinking water wellfields.

Katie Jamriska, *Supervisor, Water Quality and Environmental Compliance*

While **Tim Pagliei**, a backhoe operator in Pittsburgh, was enjoying dinner at a local restaurant, torrential rains caused a nearby creek to flood the parking lot. Tim later saw a woman trapped in her car, and just minutes before the rising water half-submerged the vehicle, he was able to help her escape through the car window.

Tim Pagliei, *Backhoe Operator*

Through his commitment to safety and community, **Victor Munguia** saved a life. Having just completed a service call, Victor was en route to another site when he came upon an alarming scene—an infant crawling across a busy street. Putting himself in harm's way, Victor turned his truck around, rescued the baby from the road and returned it to a forever-grateful mother. For his courage and caring spirit, Victor was a past recipient of the Living Water Award.

Victor Munguia, *Field Service Representative*

As part of our AmerICANs in Action! Month of Service across the country, 200 American Water employees joined together at the Kroc Community Center in Camden, New Jersey, to pack 40,000 meals for the needy.

It begins with quality. The most fundamental and critical part of our business is delivering safe water to our customers. Our research and development group is conducting critical research on emerging threats to water quality, and working to advance new technologies to identify new threats to our water supply. Our testing facilities perform over 1 million water-quality tests every year. And we invest approximately $1.4 billion in infrastructure annually to ensure that our systems remain safe and reliable.

As a result of these and other initiatives, American Water has a strong record of meeting—or surpassing—the most stringent federal and state drinking water standards.

We create a superior experience. In an age of instant online ordering and overnight delivery, the customer experience is becoming the most important differentiator. We want ours to not only set us apart from other utilities, but also provide the same level of service and satisfaction as today's leading consumer brands.

Both online and in person, we engage with customers, actively listening to their concerns, doing what we can to resolve their issues and inviting their feedback to discover how we can do even better. We are also using innovative technology to help us not just respond to their wants and needs, but also anticipate them.

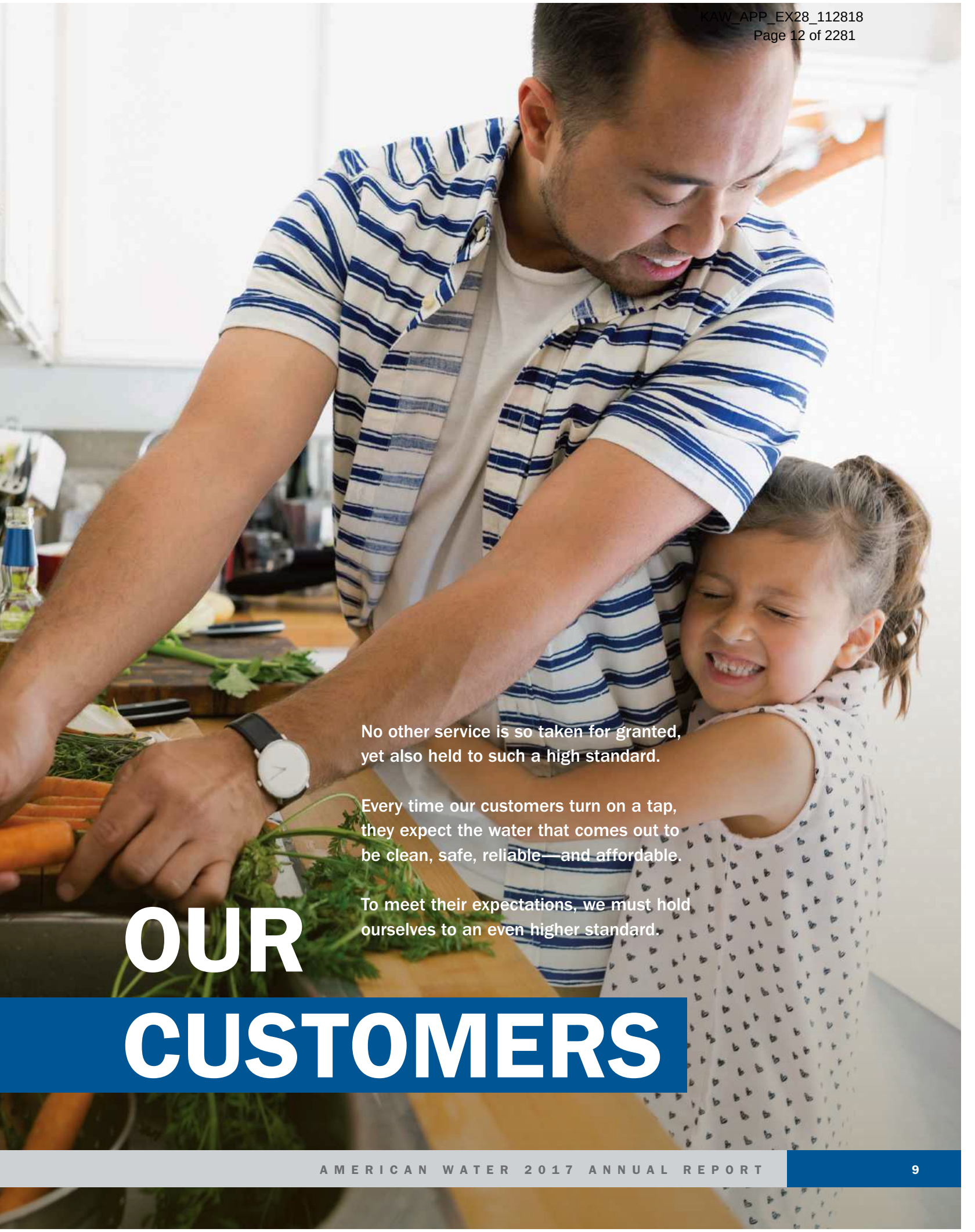
In 2017, for example, we launched a new smartphone app that helps field representatives identify problem meters. Driven by secure artificial intelligence and machine learning, this new "big data" solution can analyze over 200 million records to pinpoint units that are recording too much, too little or no usage at all. This enables us to correct inefficiencies and solve customer issues more promptly.

We also introduced Contact Center Optimization (CCO) in 2017. Instead of asking customers to push a series of buttons to navigate a menu, this groundbreaking new system uses natural-language speech processing to interpret their requests and allows customers to customize their experience.

We offer more than service. We offer solutions. Traditionally, utilities have been offered by providers that people had to use. Our goal is to be the company that people choose. A key part of this effort is to improve not only the lives of our customers, but also the greater community. As the nation's largest water company, our size and scale allow us to offer solutions that are beyond the scope of other alternatives.

A recent case in point was in Scranton, Pennsylvania, where the city was struggling to comply with an EPA decree that mandated up to $140 million in upgrades to bring its wastewater system into environmental compliance.

Because American Water was already providing water service to the area, our purchase of the municipally owned Scranton Sewer Authority enabled us to leverage economies of scale to fund the project, pay off all of the Authority's substantial existing debt and spread new capital expenditures more fairly across the total customer base. We were also able to commit to bringing 100 new jobs to Scranton by 2020.



No other service is so taken for granted, yet also held to such a high standard.

Every time our customers turn on a tap, they expect the water that comes out to be clean, safe, reliable—and affordable.

To meet their expectations, we must hold ourselves to an even higher standard.

OUR CUSTOMERS

OUR COMMUNITIES

As America's largest and most geographically diverse publicly traded water and wastewater utility company, our reach is national. But our responsibility begins at the local level. We believe it is important to be not just a good corporate citizen, but also a good neighbor—to make a positive impact on the health and well-being of the communities we serve, and to support and encourage every employee to do the same in their own way.

Giving back, helping out. Created in 2012, the American Water Charitable Foundation supports a broad range of programs and efforts. For example:

The Employee and Volunteer Matching Gift Program helps our employees raise funds for organizations they care about. Both monetary and time donations are matched by the company on a 1:1 basis, up to $1,000 per employee annually. Over the past five years, the program has matched over $700,000 in charitable contributions, as well as more than 21,000 hours of volunteered time.

When floods, fires, hurricanes and other natural disasters strike, American Water employees are quick to respond with donations. Created to multiply the impact of their contributions, the Disaster Relief Program has provided $130,000 for relief efforts to stricken areas.

Our signature grant program, Building Better Communities, is designed to enhance the quality of life in our communities through the creation of recreational spaces that bring the importance of natural resources and water stewardship to life. Launched in 2014 with a $2.5 million grant to the National Recreation and Park Association, the program has already funded 12 such projects around the country.

Another beneficiary of the program is our partnership with the Union Sportsmen's Alliance, through which American Water employees can volunteer for projects to improve public access to water-based recreational activities that help preserve environmental sustainability. Building on the program's initial success, the American Water Charitable Foundation recently awarded an additional $150,000 for new conservation projects.

Making a difference—together. Every year, employees take part in AmerICANs in Action! Month of Service—a companywide event that encourages employees to volunteer together in their hometown communities. This past September, more than 1,300 American Water personnel took part, providing approximately 4,300 hours of service. The 90 different projects that they worked on included a beach cleanup in New Jersey, organizing and packing relief supplies in Missouri for Hurricane Harvey victims, planting trees in California, landscaping a park in Virginia, and making lunches for a mobile outreach program in Kentucky. Others helped out by lending a hand at animal shelters and food banks, as well as at Habitat for Humanity and United Way.

In 2017, employees also raised more than $230,000 for Water For People, an international nonprofit organization that works to bring safe water and sanitation to more than 4 million people around the world. In addition to making financial donations themselves, employees supported a wide variety of local fundraising efforts. Since American Water began supporting Water For People, employees have contributed more than $2 million to the organization.

Finding more ways to help. American Water launched its Firefighter Grant Program in 2009 to help local fire departments and emergency services in purchasing safety gear, lifesaving equipment, training materials and essential firefighting apparatus. Since launching the program, American Water has contributed more than $400,000 to help approximately 500 fire departments in service areas across the United States.

Every drop counts. Due to America's aging infrastructure, up to 20% of all treated water is lost to leaks. In addition to investing approximately $1.4 billion annually to renew our supply and treatment systems, we are pioneering innovative solutions to spot leaks even before they are visible above ground. We have already deployed about 1,000 acoustical leak detectors and are piloting a satellite-based system that employs the same technology used to search for water on other planets to span thousands of square miles at once.

Reuse. Recycle. Repeat. In addition to making our own operations more efficient, we educate, incentivize and encourage our customers to practice conservation at their end of the pipeline. Through these and other efforts, we have reduced water use by approximately 3.5 billion gallons over the previous year.

We are also leading the way in recycling water by reusing it. By processing wastewater for use in applications that do not demand potable water—such as landscape irrigation and HVAC systems—we are currently recycling over 2 billion gallons of water a year. This, in turn, helps conserve valuable freshwater resources.

Putting our energy into conservation. Water and energy conservation go hand in hand. Simply pumping water through our systems—from its source to our customers—accounts for 90% of our electricity use and more than 80% of our greenhouse gas (GHG) emissions. By replacing or refurbishing older, less efficient pumps, we have been able to achieve annual energy savings of 17 million kilowatt-hours and reduce our carbon footprint by 25 million pounds per year.

We are also seeking alternative energy sources.

A recently completed solar energy project at one of our facilities in Indiana, for example, now generates enough power to make the facility self-sufficient, while reducing our CO_2 emissions by nearly 500 tons every year. Companywide, our use of solar energy has enabled us to cut total emissions by as much as 2,150 metric tons.

In New York, we have applied new, lower-cost construction techniques to create a geothermal system that provides year-round heating and cooling for a 40,000-square-foot elementary school—without consuming any fossil fuels.

In all, we have steadily reduced GHG emissions by 9.4% over the past three years, and by 25% since 2007. And we are well on our way to achieving our goal of a total reduction of 40% by 2025.

More than stewardship—leadership. American Water has consistently led the way in conservation and sustainability initiatives. We were the first water utility to join the Environmental Protection Agency's Climate Leaders Program. And we were the first to be included in the Dow Jones Sustainability Index. American Water was also recently recognized as one of the 100 Most Sustainable Companies by *Barron's* magazine.

OUR PLANET

Clean water does not happen without environmental leadership. From helping to protect water at its source to ensuring water is never wasted to running our operations in a way that helps—not hurts—our planet, our commitment to the environment runs deep.

OUR SHAREHOLDERS

Providing Clean Water for Life is vital to our communities. Our focus on our customers resulted in another year of effectively providing clean, safe, reliable and affordable water and water services to millions of people every day.

CORPORATE INFORMATION

Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP
Two Commerce Square, Suite 1700
2001 Market Street
Philadelphia, PA 19103-7042

Stock Transfer Agent
American Stock Transfer
& Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Phone: 1-800-937-5449

BOARD OF DIRECTORS

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President and Chief Executive Officer, American Water Works Company, Inc.

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Non-Executive Chairman of the Board
Former Vice Chairman and Chief Financial Officer, Hercules Incorporated

Jeffrey N. Edwards
Director
Chief Operating Officer, New Vernon Capital

Martha Clark Goss
Director
Former Chief Operating Officer and Chief Financial Officer, Amwell Holdings/Hopewell Holdings, LLC

Veronica M. Hagen
Director
Former Chief Executive Officer, Polymer Group, Inc. (now known as AVINTIV Specialty Materials Inc.)

Julia L. Johnson
Director
President, NetCommunications, LLC

Karl F. Kurz
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Former Chief Operating Officer, Anadarko Petroleum Corporation

James G. Stavridis
Director
Dean, Tufts University, Fletcher School of Law and Diplomacy

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

FORM 10-K

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period from _____ to _____

Commission file: number 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

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

(856) 346-8200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common stock, par value $0.01 per share	**New York Stock Exchange, Inc.**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, $0.01 par value—$12,477,500,000 as of June 30, 2017 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2017, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2017, to be controlled by, or under common control with, American Water or any of the persons described in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—178,551,923 shares as of February 15, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2018 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2017 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

We have made statements in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Form 10-K, or incorporated certain statements by reference into this Form 10-K, that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things, our future financial performance, including our operation and maintenance ("O&M") efficiency ratio, cash flows, our growth and portfolio optimization strategies, our projected capital expenditures and related funding requirements, our ability to repay debt, our projected strategy to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory, legislative, tax policy or legal developments or rate adjustments, including rate case filings, filings for infrastructure surcharges and filings to address regulatory lag.

Forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results or levels of activity, performance or achievements, and you are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Our actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions, taxes, permitting and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts;
- limitations on the availability of our water supplies or sources of water, or restrictions on our use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, water quality and emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares;
- the outcome of litigation and similar governmental proceedings, investigations or actions, including matters related to the Freedom Industries chemical spill in West Virginia and the preliminarily approved global class action settlement agreement related to this chemical spill;
- our ability to appropriately maintain current infrastructure, including our operational and information technology ("IT") systems, and manage the expansion of our business;

- exposure or infiltration of our critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber attacks or other means;
- our ability to obtain permits and other approvals for projects;
- changes in our capital requirements;
- our ability to control operating expenses and to achieve efficiencies in our operations;
- the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers;
- our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations;
- our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of our operations;
- our ability to maintain safe work sites;
- our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water service and management solutions that are focused on customers in the natural gas exploration and production market;
- changes in general economic, political, business and financial market conditions;
- access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- restrictive covenants in or changes to the credit ratings on us or our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends;
- fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements;
- changes in federal or state general, income and other tax laws, including any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities (collectively, the “Related Interpretations”) related to the enactment of the Tax Cuts and Jobs Act (the “TCJA”), the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. federal and state income tax net operating loss (“NOL”) carryforwards;
- migration of customers into or out of our service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn our systems, or the assertion by private landowners of similar rights against us;
- difficulty or inability to obtain insurance, our inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or our inability to obtain reimbursement under existing insurance programs for any losses sustained;

- the incurrence of impairment charges related to our goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the ability to retain and attract qualified employees;
- civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Form 10-K, and you should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements we make speak only as of the date this Form 10-K was filed with the United States Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

Our Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, we employ approximately 6,900 professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in 46 states, the District of Columbia and Ontario, Canada. The largest component of the Company's business includes rate regulated subsidiaries that provide water and wastewater services, collectively presented as our "Regulated Businesses." We conduct the majority of our business through the Regulated Businesses segment. We also operate several market-based businesses that provide a broad range of related and complementary water and wastewater services within four operating segments that individually do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"). These four, non-reportable operating segments are collectively presented as our "Market-Based Businesses," which is consistent with how management assesses the results of these businesses.

Throughout this Annual Report on Form 10-K (this "Form 10-K"), unless the context otherwise requires, references to "we," "us," "our," the "Company," and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. Our utilities operate in approximately 1,600 communities in 16 states in the United States, with approximately 3.4 million active customer connections to our water and wastewater networks. Services provided by our utilities are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions ("PUCs" or "Regulators"). Certain federal, state and local governments also regulate environmental, health and safety, and water quality matters. We report the results of the services provided by our utilities in our Regulated Businesses segment. Operating revenues for our Regulated Businesses were $2,958 million for 2017, $2,871 million for 2016 and $2,743 million for 2015, accounting for 88%, 87% and 87%, respectively, of the Company's total operating revenues for the same periods.

The following table geographically summarizes our Regulated Businesses' operating revenues and the number of customers we serve by type of service, each as of and for the year ended December 31, 2017:

	Operating Revenues (In millions)				Number of Customers (In thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	$ 698	$ 41	$ 739	25.0%	639	48	687	20.5%
Pennsylvania	617	44	661	22.3%	658	64	722	21.5%
Illinois	284	20	304	10.3%	284	33	317	9.5%
Missouri	280	9	289	9.8%	466	13	479	14.3%
Indiana	222	—	222	7.5%	302	—	302	9.0%
California	219	3	222	7.5%	175	3	178	5.3%
West Virginia	143	1	144	4.9%	166	1	167	5.0%
Total—Top Seven States (b)	2,463	118	2,581	87.3%	2,690	162	2,852	85.1%
Other states (c)	353	24	377	12.7%	470	31	501	14.9%
Total Regulated Businesses	$2,816	$ 142	$2,958	100.0%	3,160	193	3,353	100.0%

(a) Includes Other operating revenues, consisting primarily of fees, miscellaneous service charges and rents.
(b) Our "Top Seven States" are determined based upon operating revenues.
(c) Includes our utilities in the following states: Georgia, Hawaii, Iowa, Kentucky, Maryland, Michigan, New York, Tennessee and Virginia.

See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 19—Segment Information in the Notes to Consolidated Financial Statements for additional information.

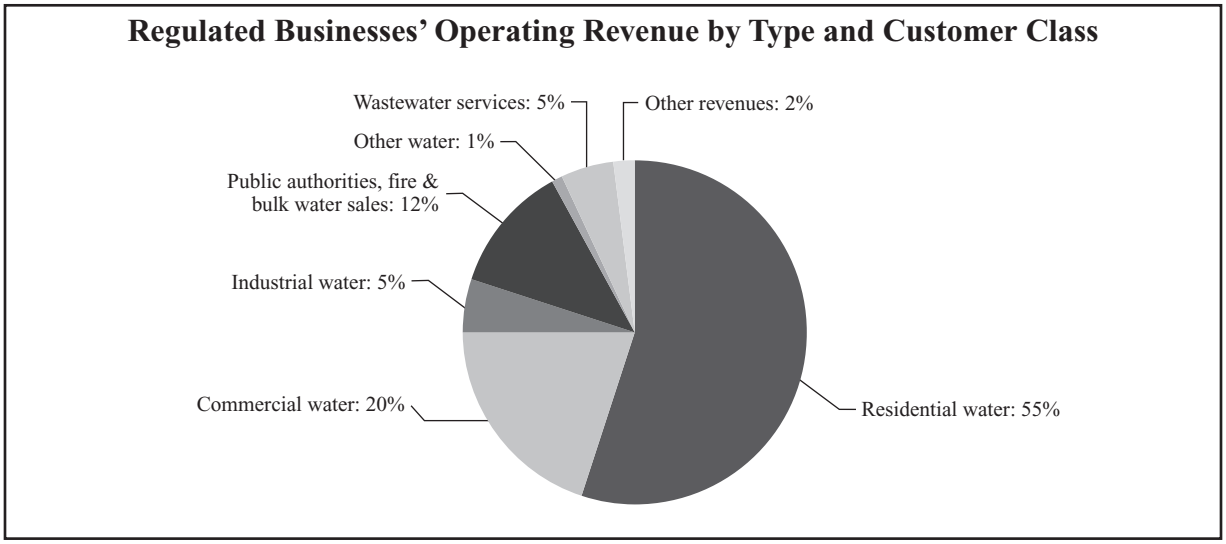
Customers

Our Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases our water or wastewater services as of the last business day of a reporting period. One single customer may purchase our services for use by multiple individuals or businesses, as is the case in many homes, apartment complexes, businesses and governmental entities.

The vast majority of our regulated water customers are metered, which allows us to measure and bill for our customers' water usage, typically on a monthly basis. We employ a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices (touch read) or via radio frequency to mobile or fixed network data collectors. Our wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of our customer base in all of the states in which we operate. We also serve: (i) commercial customers, such as hospitals, food and beverage providers and energy suppliers; (ii) industrial customers, such as large-scale manufacturers, mining and production operations; and (iii) public authorities, such as government buildings and other public sector facilities, including schools. In addition, we supply water through our distribution systems to public fire hydrants for firefighting purposes, to private fire customers for use in fire suppression systems in office buildings and other facilities, and to other water utilities and community water systems in the form of bulk water supplies for distribution to their own customers.

The following chart depicts the allocation of our Regulated Businesses' operating revenue by type, including a breakout of the total water services revenues by class of customer, for the year ended December 31, 2017:



The following table summarizes the number of water and wastewater customers we served by class as of December 31:

	2017		2016		2015	
(In thousands)	Water	Wastewater (a)	Water	Wastewater	Water	Wastewater
Residential	2,872	182	2,846	171	2,829	133
Commercial	221	11	220	10	219	8
Industrial	4	—	4	—	4	—
Public & other	63	—	61	—	60	—
Total	3,160	193	3,131	181	3,112	141

(a) In 2017, we acquired substantially all of the wastewater collection and treatment system assets of the Municipal Authority of the City of McKeesport, Pennsylvania (the "McKeesport system"). This acquisition included approximately 22,000 customer equivalents in total; comprised of 11,000 customer connections, which are reflected in the 2017 residential customer count in the table above, as well as service to an additional 11,000 customers under bulk contracts to 13 municipalities in Allegheny County, Pennsylvania.

Customer growth in our Regulated Businesses is primarily driven by: (i) adding new customers to our customer base through acquisitions of water and/or wastewater utility systems; (ii) organic population growth (or decline) in our authorized service areas; and (iii) sale of water to other water utilities and community water systems.

Capital Investment

On an annual basis, approximately 2 trillion gallons of treated water are lost in the United States through more than 240,000 main breaks at an estimated cost of $2.6 billion. This represents approximately 20% of all treated water in the country. In addition, every year approximately 900 billion gallons of untreated sewage is discharged into the country's rivers and streams. The aging water and wastewater infrastructure in the United States is in need of replacement and modernization. In 2017, the American Society of Civil Engineers published its *Report Card for America's Infrastructure,* in which it gave the drinking water industry a grade of "D" and the wastewater infrastructure a grade of "D+," primarily because much of the infrastructure is nearing the end of its useful life. As documented in the American Water Works Association's (the "AWWA") *Buried No Longer: Confronting America's Water Infrastructure Challenge*, restoring the country's existing water systems as they reach the end of their useful lives and expanding them to serve a growing population will cost at least $1 trillion between 2011 and 2035, if we are to maintain current levels of water service. In addition, increased regulation related to water quality and the management of water and wastewater residuals' discharges, which began with the passage of the Clean Water Act in 1972 and the Safe Drinking Water Act in 1974, is also a primary driver for the need to modernize.

To address the growing infrastructure needs in the areas we serve, we plan to invest $7.2 billion over the next five years, including a range of $1.4 billion to $1.5 billion in 2018, for capital improvements to our Regulated Businesses' water and wastewater infrastructure, largely aimed for pipe replacement and upgrading aging water and wastewater treatment facilities. We have proactively doubled our pipe renewal rate over a five year period, from 2011 to 2016, from a 250 year replacement cycle to a 120 year replacement cycle, which we anticipate will enable us to replace nearly 2,000 miles of mains and collection pipes over the next five years. In addition, during this same five year period, capital investment in treatment plants, storage tanks and other key, above-ground facilities has increased over 10%, further addressing aging infrastructure and emerging regulatory compliance needs.

Economic Regulation and Rate Making

Our Regulated Businesses operate under a regulatory compact whereby, in exchange for exclusive rights to provide water and wastewater services in defined service territories, we have an obligation to serve customers

within those territories requesting service, within reasonable limits. In return for agreeing to invest capital into our water and wastewater systems, we are given the opportunity to recover our costs of doing business and earn a reasonable rate of return on our investments.

The operations of our Regulated Businesses are generally subject to economic regulation by PUCs in the state in which they operate, with the primary responsibility of the PUCs to promote the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states PUCs approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, capital expenditures, O&M expenses, taxes, transactions and affiliate relationships, reorganizations and mergers and acquisitions. Regulatory policies vary from state to state and could potentially change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

The process to obtain approval for a change in rates generally occurs by way of a rate case filed by the utility with the PUC on a periodic basis. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility's need to increase its revenue to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. Our rate case management program is guided by the principles of obtaining timely recovery of capital investment costs, recognition of declining sales resulting from reduced consumption and appropriate recovery of utility operating and maintenance costs, including costs incurred for compliance with environmental regulations. The program attempts to minimize "regulatory lag," the time between the occurrence of an event that triggers a change in the utility's revenue requirement and its recognition in rates. It is, for example, the time between when an investment in plant is placed into service for the benefit of the customer and when the Company can begin earning a return of and on the investment through the ratemaking process. It also applies to the lag in the recognition in rate recovery of changes in expenses and revenues.

Our Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Examples of approved regulatory practices include:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharges	Allows rates to change periodically, outside a general rate proceeding, to reflect recovery of investments made to replace infrastructure necessary to sustain safe, reliable services for our customers. These mechanisms typically involve periodic filings and reviews, to ensure transparency.	IA, IL, IN, MO, NJ, NY, PA, TN, VA, WV
Future test year	A test period used for setting rates, that begins with the date new rates are effective. This allows current or projected revenues, expenses and investments to be collected on a timelier basis.	CA, HI, IL, IN, KY, NY, PA, TN, VA
Hybrid test year	Allows an update to historical data for "known and measurable" changes that occur subsequent to the historical test year.	IA, MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction. In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudency of such projects.	CA, IL, KY, NY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate proceeding or deferred until the next general rate proceeding.	CA, IL, MD, MO, NJ, NY, PA, TN, VA, WV
Revenue stability mechanisms	Separates a water utility's cost recovery from the amount of water it sells to recover its fixed costs and on-going infrastructure investment needs. Such a mechanism adjusts rates periodically to ensure that a utility's revenue will be sufficient to cover its costs regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL, NY
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state and is generally used to prioritize capital investments and moderate the impact of periodic fluctuations in local costs while lowering administrative costs for customers. Pennsylvania also permits a blending of water and wastewater revenue requirements.	IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV

We pursue or seek enhancement to these regulatory practices to facilitate efficient recovery of our costs and investments in order to continue to provide safe, reliable and affordable services to our customers. The ability to seek regulatory treatment as described above does not guarantee that the state PUCs will accept our proposal in the context of a particular rate case, and these practices may reduce, but not eliminate, regulatory lag associated

with traditional rate making processes. It is also our strategy to expand their use in areas where they may not currently apply.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. Both industries are highly fragmented. According to the Environmental Protection Agency ("EPA"), approximately 84% of the United States water market is served by municipal systems and approximately 98% of the country's wastewater systems are government owned. The EPA also estimates that there are approximately 50,000 community water systems and approximately 20,000 community wastewater systems in the United States, with over half of the community water systems serving a population of 500 or less. This large number of relatively small, fragmented water and wastewater systems may result in inefficiencies in the marketplace, since such utilities may not have the operating expertise, financial and technological capability or economies of scale to provide services or raise capital as efficiently as larger utilities. Larger utilities that have greater access to capital are generally more capable of making mandated and other necessary infrastructure upgrades to their water and wastewater systems. In addition, water and wastewater utilities with large customer bases, spread across broad geographic regions, may more easily absorb the impact of significant variations in precipitation and temperatures, such as droughts, excessive rain and cool or warm temperatures in specific areas. Larger utilities generally are able to spread support services over a larger customer base, thereby reducing the costs to serve each customer. Since many administrative and support activities can be efficiently centralized to gain economies of scale, companies that participate in industry consolidation have the potential to improve operating efficiencies, lower costs per unit and improve service at the same time.

A fundamental aspect of our growth strategy is to pursue acquisitions of small and medium water and/or wastewater systems of between 1,000 and 30,000 customer connections, in close geographic proximity to areas where we operate our Regulated Businesses. The close proximity of acquisition opportunities to our regulated footprint allows us to integrate and manage the acquired systems and operations primarily using our existing management and to achieve operational efficiencies and prioritize capital investment needs. Our current customer mix of 94% water and 6% wastewater also presents strategic opportunities for wastewater growth and systems consolidation, adding wastewater customers where we already serve water customers. We intend to continue to expand our regulated footprint geographically by acquiring water and wastewater systems in our existing markets and, if appropriate, pursue acquisition opportunities in certain domestic markets where we do not currently operate our Regulated Businesses. Before entering new regulated markets, we will evaluate the business and regulatory climates to ensure that we will have the opportunity to achieve an appropriate rate of return on our investment while maintaining our high standards for providing safe, reliable and affordable services to our customers, as well as a line of sight to grow our base customers to a significant level to attain efficiencies after entering the new market.

More stringent environmental, health and safety, and water quality regulations, the amount of infrastructure in need of significant capital investment and financial challenges are driving more municipalities to consider selling their water and wastewater assets. For example, in 2015, New Jersey enacted the Water Infrastructure Protection Act, which allows municipalities with a water or wastewater system that meets certain emergent conditions, to allow it to sell the system on an expedited basis without a referendum. Also, in 2017, New Jersey enacted the Water Quality Accountability Act, which sets new operational standards for all water utilities in New Jersey, including municipal and investor-owned utilities. This law imposes new requirements in areas such as cybersecurity, asset management, water quality reporting, remediation of notices of violation, and hydrant and valve maintenance.

We also support full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through fair market valuations of purchased property and the consolidation of water and wastewater rates. Our Regulated Businesses in California, Illinois, Indiana,

Missouri, New Jersey and Pennsylvania have access to fair market value legislation for private sector investment in public sector systems. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, providing municipalities with a fair and objective purchase price that is more reflective of the assets' value, while the utility has increased assurance of recovering investment over the life of the assets. Ultimately, we believe that many communities could benefit from receiving safe and reliable water and wastewater service from an experienced utility with proven access to capital and financial, technical, and managerial resources.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in the state. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility and can ensure economies of scale for even the smallest of systems and prioritize capital needs across the state. Overall, this brings cost-effective, higher quality services to a larger number of citizens. Ten of our regulated subsidiaries currently have some form of consolidated tariff pricing, including Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia, and West Virginia.

Competition

In our Regulated Businesses, we generally do not face direct competition in our existing markets because: (i) we operate in those markets pursuant to certificates of public convenience and necessity (or similar authorizations) issued by state PUCs; and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a high barrier to market entry. However, our Regulated Businesses do face competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, our largest investor-owned competitors, based on a comparison of operating revenues and population served, are Aqua America, Inc., Suez North America, American States Water Company and California Water Service Group. From time to time, we also face competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp. and Corix.

Condemnation and Eminent Domain

All or portions of our Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its certificate. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular franchise or charter.

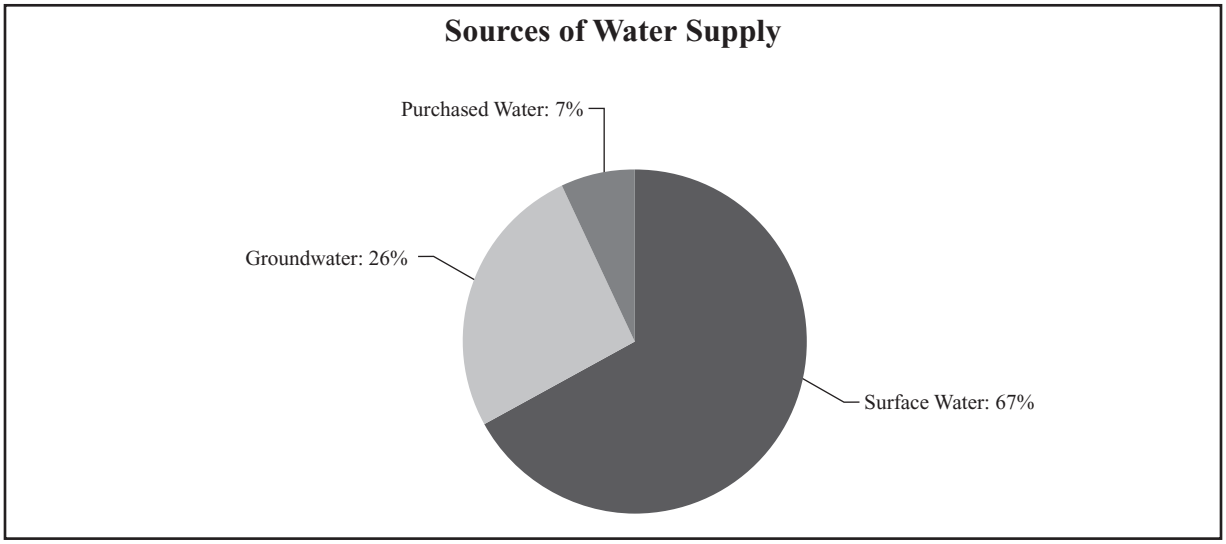
Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate, including, for example, California, provides for eminent domain rights allowing private property owners to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. These actions have occurred in connection with events such as floods, mudslides and debris flow, broken water mains, landslides and wild and brush fires.

Water Supply and Wastewater Services

Our Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to our customers and collect, treat, transport and recycle wastewater. Typically, we do not own the water itself,

which is held in public trust and is allocated to us through contracts, permits and allocation rights granted by federal and state agencies or through the ownership of water rights pursuant to local law. We are dependent on defined sources of water supply and obtain our water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third party water suppliers. The level of treatment we apply to the water varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically generally require significant treatment, while groundwater sources require chemical treatment only.

The following chart depicts our sources of water supply as of December 31, 2017:



The percentages of water supply by source type for our top seven states for 2017 were as follows:

	Surface Water	Ground Water	Purchased Water
New Jersey	72%	24%	4%
Pennsylvania	91%	7%	2%
Illinois	53%	36%	11%
Missouri	80%	19%	1%
Indiana	44%	56%	—
California	—	65%	35%
West Virginia	100%	—	—

Our ability to meet the existing and future water demands of our customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. We employ a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of our service areas may mitigate some of the economic effects on the water supply associated with weather extremes we might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas we serve may experience wetter than average weather.

In our long-term planning, we evaluate quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that we have adequate water supply, we use long-term planning processes and maintain contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. In connection with supply planning for most surface

or groundwater sources, we employ models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. An example of our use of long-term planning to ensure that we have adequate water supply is our involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, owned by California-American Water Company ("Cal Am"), our wholly owned subsidiary, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project between the Monterey Regional Water Pollution Control Agency and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill obligations of Cal Am to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB").

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Seasonality

Customer demand for our water service is affected by weather and tends to vary with temperature, rainfall levels and the frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, we typically expect our operating revenues to be the highest in the third quarter of each year. Weather that is hotter and drier than average generally increases operating revenues whereas, weather that is cooler and/or wetter than average generally serves to suppress customer water demand and can reduce water operating revenues. Three of our jurisdictions, California, Illinois and New York, have adopted revenue stability mechanisms which permit us to collect state PUC-authorized revenue for a given period which is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See "Economic Regulation and Rate Making" for additional information regarding revenue stability mechanisms.

Market-Based Businesses

Through our Market-Based Businesses, we provide a broad range of related and complementary water and wastewater services to military bases, municipalities, gas exploration and production companies, as well as commercial, industrial and residential customers. These businesses are not subject to economic regulation by state PUCs and the services provided do not require significant capital investment. Operating revenues for our Market-Based Businesses were $422 million for 2017, $451 million for 2016 and $434 million for 2015, accounting for 13%, 14% and 14%, respectively, of the Company's total operating revenues for the same periods. Included within our Market-Based Businesses' results is operating revenues attributed to Canadian operations of $5 million for 2017 and $6 million for both 2016 and 2015, respectively.

Our Market-Based Businesses are comprised of four operating segments:

- Military Services Group, which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military bases;
- Homeowner Services Group, which provides warranty-type services to homeowners and smaller commercial customers to protect against the cost of repairing broken or leaking water pipes and clogged or blocked sewer pipes on their premises, and other services;
- Contract Operations Group, which enters into contracts with municipal, commercial and industrial customers, primarily to operate and manage water and wastewater facilities and other related services; and

- Keystone Clearwater Solutions, LLC ("Keystone"), which provides customized water service and management solutions for natural gas exploration and production companies and customers in the municipal water services market.

Military Services Group

Our Military Services Group has been granted contracts to operate on 13 military bases under 50-year contracts with the U.S. government as part of its Utility Privatization Program. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Strategic Focus and 2017 Achievements—Growth for additional information. The scope of these contracts generally includes the O&M of the bases' water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to the Company is funded from the contract fee. At times, new assets are required to support the base's mission and the construction of these assets are funded by the U.S. government as additional work under the contract. The current capital program does not use the Company's equity or debt borrowings; however, we may make limited short-term working capital investments under these contracts and some working capital is used to fund work-in-process until paid by the U.S. government.

The contract price for nine of our contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. The remaining four contracts with the U.S. government are subject to annual price adjustments under a mechanism similar to price redetermination, called "Economic Price Adjustment." All of these contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In either event, pursuant to termination provisions applicable to these contracts, we would be entitled to recover allowable costs that we may have incurred under the contract, plus the contract profit margin on incurred costs. Our backlog of revenue associated with our contracts with the U.S. government is approximately $3.6 billion, with an average remaining contract term of 42 years.

Homeowner Services Group

Our Homeowner Services Group, through our various protection programs, provides services to domestic homeowners and smaller commercial customers to protect against repair costs for interior and external water and sewer lines, interior electric lines, heating and cooling systems and water heaters, as well as power surge protection and other related services. Our LineSaver™ program involves partnering with utilities, municipalities and other organizations to offer our protection programs to customers serviced by or affiliated with those municipalities and organizations. Terms of these partnership agreements are typically three to five years in length, with optional renewals. As of December 31, 2017, our Homeowner Services Group had approximately 1.7 million customer contracts in 43 states and the District of Columbia, and 10 LineSaver™ partnership agreements with municipalities and other organizations.

Contract Operations Group

Our Contract Operations Group enters into contracts to provide O&M services, including the delivery of design-build-operate projects and the provision of water and wastewater operations, maintenance and management services, to municipal and regional governmental entities through public-private partnerships, as well as industrial customers who possess a wide range of water quality and regulatory compliance needs. Historically, we have made minimal long-term capital investment under these contracts; instead we perform our services for a fee. Occasionally, we provide our customers with financing for capital projects as part of a long-term O&M partnership. As of December 31, 2017, our Contract Operations Group had 33 contracts across the United States and Canada, varying in size and scope, with an average remaining contract term of 3 years. In the

course of pursuing our long-term strategy and growth initiatives for our Market-Based Businesses, we will concentrate on optimizing the portfolio of contracts in our Contract Operations Group, which will involve strategic decisions around the pursuit of renewals of our current contracts approaching expiration, as well as the sale of certain contracts that fall outside of our strategic focus.

Keystone

In July 2015, we acquired a 95% interest in Water Solutions Holdings, LLC, including its wholly owned subsidiary, Keystone. Keystone is a water service and management solutions company that serves natural gas exploration and production customers in the Appalachian Basin, as well as customers in the municipal water services market. Keystone is primarily focused on customized water transfer, sourcing, recycling and storage services, along with pipeline construction and related O&M services. Keystone operates under master service agreements that are generally shorter term in nature. When the initial term of these agreements expire, they typically renew automatically on an annual basis and generally are cancelable by either party with 30 days prior notice. As of December 31, 2017, Keystone serves approximately 35 customers.

Competition

We face competition in our Market-Based Businesses from a number of service providers, including American States Water Company, Suez North America, and Veolia Environnement S.A. in our Military Services Group, and Pivotal Home Solutions (owned by Southern Company Gas) and HomeServe USA in our Homeowner Services Group. Our Contract Operations Group competes in a highly competitive market in order to secure new O&M contracts, as these contracts are awarded based on a combination of customer relationships, service levels, competitive pricing, references and technical expertise. We also face competition in maintaining existing O&M contracts to which we are a party, as the municipal and industrial fixed term contracts frequently come up for renegotiation and are subject to an open bidding process. Competitors of our Contract Operations Group include Suez North America, Veolia Environnement S.A., Inframark, LLC and Woodard & Curran. Keystone currently faces competition from water service providers that typically provide particular segments of the water management cycle, such as Select Energy Services, Inc., TETRA Technologies, Inc. and Fluid Delivery Solutions, LLC.

Environmental, Health and Safety, and Water Quality Regulation

Our water and wastewater operations, including the services provided by both our Regulated Businesses and Market-Based Businesses, are subject to extensive federal, state and local laws and regulations, and in the case of our Canadian operations, Canadian laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water we deliver to our customers, and the manner in which we collect, treat, discharge, recycle and dispose of wastewater. These regulations include the Safe Drinking Water Act, the Lead and Copper Rule (“LCR”), the Reduction of Lead in Drinking Water Act and the Clean Water Act. We are subject to various federal, state, local and Canadian laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. State PUCs also set conditions and standards for the water and wastewater services we deliver.

Environmental, health and safety, and water quality regulations are complex and change frequently. For example, in 2017, the New Jersey Department of Environmental Protection announced that it would seek to adopt more stringent maximum contaminant levels for perfluorooctoanic acid, or PFOA, and perfluorononanoic acid, or PFNA. The overall trend has been that they have become increasingly stringent over time. As newer or stricter standards are introduced, our capital and operating costs could increase. We incur substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which our operations are subject. In the past, our Regulated Businesses have generally been able to recover the costs

associated with compliance; however, this recovery is affected by regulatory lag and the corresponding uncertainties surrounding rate recovery. We estimate that we will make capital expenditures of $96 million during 2018 and $138 million during 2019 for environmental control facilities, which we define for this purpose as any project (or portion thereof) that involves the preservation of air, water or land. We also maintain an environmental program that includes responsible business practices, compliance with environmental laws and regulations, and effective use of natural resources. We believe that our operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

Our operations also involve the use, storage and disposal of hazardous substances and wastes. For example, our water and wastewater treatment facilities store and use chlorine and other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. We also could incur remedial costs in connection with any contamination relating to our operations or facilities or our off-site disposal of wastes. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as the owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although we are not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs. Our facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder. Certain of our subsidiaries are involved in pending legal proceedings relating to environmental matters. See Item 3—Legal Proceedings for additional information.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and man-made chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for approximately 90 contaminants and indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

To help formulate the basis for future regulations, the EPA has the authority to require monitoring for additional, unregulated contaminants under the Unregulated Contaminant Monitoring Rule (the "Rule"). Our laboratory and many of our treatment systems are preparing for the fourth round of testing under the Rule, which will begin in 2018. There are thousands of other chemical compounds that are not regulated, many of which are lacking a testing methodology, occurrence data, health effects information and/or treatment technology. The process of developing new drinking water standards is long and complex, but we actively participate with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Item 1—Business—Research and Development—Emerging Containments for further discussion.

To effect the removal or inactivation of microbial organisms, the EPA has established various rules to improve the disinfection and filtration of drinking water and to reduce consumers' exposure to disinfectants and by-products of the disinfection process. In 2006, the EPA issued the Long-Term 2 Enhanced Surface Water Treatment Rule and the Stage 2 Disinfectants and Disinfection Byproduct Rule and, later in 2006, finalized the Ground Water Rule, applicable to systems providing water from underground sources. In 2016, the revised Total Coliform Rule implemented a "find and fix" process where exceeding bacterial trigger levels requires an assessment to correct any sanitary defects. We are within the EPA's time frame for compliance of these standards, which includes sample collection, data analysis, engineering planning and system implementation.

Recent monitoring under the Long-Term 2 Rule has resulted in the need for more than 30 of our surface water systems to provide additional protection against cryptosporidium. In most cases, this will involve installing UV disinfection at an estimated cost ranging from $150 million to $250 million. Further, the EPA is actively considering regulations for a number of contaminants, including strontium, hexavalent chromium, fluoride, nitrosamines, perchlorate, some pharmaceuticals and certain volatile organic compounds. We do not anticipate that any such regulations, if enacted, will require implementation in 2018.

Across the Company, we conduct over one million water quality tests each year at our laboratory facilities and plant operations, including continuous on-line instrumentations such as monitoring turbidity levels, disinfectant residuals and adjustments to chemical treatment based on changes in incoming water. We participate in the Partnership for Safe Water, the EPA's voluntary program to meet more stringent goals for reducing microbial contaminants. With 68 of our 72 surface water treatment plants receiving the EPA program's "Director" award, which recognizes utilities that: (i) have completed a comprehensive self-assessment report; (ii) created an action plan for continuous improvement; and (iii) produced high quality drinking water, we account for approximately one-third of the plants receiving such awards nationwide. In addition, 66 of our surface water treatment plants have received the "Five-Year Phase III" award, 61 plants have received the "Ten-Year Phase III" award and 54 plants have received the "Fifteen-Year Phase III" award; these awards recognize plants that have met the Director award status for five, 10 and 15 years, respectively. Further, nine of our surface water plants have received the "Presidents" award, which recognizes treatment plants that achieve the Partnership's rigorous individual filter effluent turbidity standards.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, we expect current requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on our operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by the state PUCs as appropriate for inclusion in establishing rates. As a result, we expect to recover the operating and capital costs resulting from these pending or future requirements.

Lead and Copper Rule and Lead in Drinking Water Act

Across the country, there is a renewed focus on the potential risk of lead in drinking water. In 1991, the EPA published the LCR to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The EPA is currently working to develop long-term revisions to the LCR, with a revised draft likely in 2018. It is currently estimated that approximately 5% of our service lines contain lead. We have reviewed our related practices and are working with stakeholders to develop feasible solutions to remove legacy lead from service lines in older neighborhoods. A fundamental step in this effort is the ongoing project to inventory lead service lines across our footprint. Our goal is to replace our lead service lines in most areas over an approximate 10 year time frame, at an estimated cost ranging from $600 million to $1.2 billion. In cases where we are replacing an American Water owned lead service line, our standard approach will be to replace the company-owned portion of the service line, and work with the customer to replace the customer-owned portion of the service line. Replacing the full service line is considered a best practice as advised by the Lead Service Line Replacement Collaborative, an association of leading water industry organizations. The prioritization of this work will depend on several factors, including our planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results and cooperation with our customers with respect to the customer-owned portion of the service line.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to our wastewater collection systems, our operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of penalties, and persistent non-compliance could lead to significant penalties and compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on our operations. From time to time, discharge violations occur at our facilities, some of which result in fines. We do not expect any such violations or fines to have a material impact on our results of operations or financial condition.

Environmental, Social Responsibility and Governance

Integrating environmental, social responsibility and governance ("ESG") policies and practices into our daily operations emphasizes our belief that the only way to do business is to do it responsibly, by delivering value to our customers, building strong communities, leveraging innovation to develop our industry and supporting the expertise and dedication of our people. This focus is derived from our vision statement, "clean water for life", and our core values: (i) safety; (ii) trust; (iii) environmental leadership; (iv) teamwork; and (v) high performance, the principles by which we work and live. Our vision and values drive our company strategy, which is centered on five central themes:

- Customers—Our customers are at the center of everything we do, helping us to shape our strategic priorities. We challenge ourselves so that if our regulated utility customers had a choice of providers, we would want them to choose us.
- Safety—The safety of our employees and our customers is the number one focus for American Water.
- People—Maintaining an environment which is open, diverse and inclusive, and where our people feel valued, included and accountable is critical to our ability to serve our customers every day.
- Technology and Operational Efficiency—Our technology and operational efficiency strategy helps us to continually find better and more efficient ways to do business and provide the best services at affordable costs for our customers.
- Growth—We believe that when companies grow, they can invest more in creating stable jobs, training, benefits, infrastructure and our communities. Growth, in turn, benefits all stakeholders.

In 2017, we issued our fourth biennial Corporate Responsibility Report, covering our performance in 2015 to 2016. Our first report was issued in 2011, making us the first large water services company to measure its performance against the Global Reporting Index. In addition, our sustainability practices have supported our inclusion in the Dow Jones Sustainability North America Index in 2012, 2013 and 2015, and we have also maintained our position in the Euronext Vigeo ® U.S. 50 index, which includes the 50 most advanced companies in the nation with respect to their environmental, social and governance performance, based on a review of hundreds of indicators.

Highlights of our commitment to our ESG policies and practices, many of which are detailed in our most recent Corporate Responsibility Report, are summarized below:

Environmental

- Expect to spend between $8.0 billion and $8.6 billion on capital investments from 2018 to 2022, including:
  - $7.2 billion for regulated capital expenditures to address aging infrastructure, reduce/eliminate leaks, improve cyber/physical security, and increase resiliency of critical assets to climate variability;
  - $600 million to $1.2 billion to acquire financially distressed municipal water and wastewater systems which tend to have a strong need for capital investment; and
  - $200 million for strategic capital investments with approximately $164 million focused on construction of our new corporate headquarters in Camden, New Jersey, as part of the revitalization effort in this community.
- Lowered our greenhouse gas emissions by approximately 26% since our base year of 2007.
- Reduced water use by 3.5 billion gallons year over year, through our conservation efforts and programs.
- Recycled over 2 billion gallons of water annually and produced reuse water at 30 of our facilities.

Social Responsibility

- On average, more than 60,000 hours of safety training given annually to our employees.
- Achieved top quartile in the water industry for customer satisfaction.
- Increased our annual spend with Tier 1 diverse suppliers to over $385 million.
- More than 4,000 hours of Company-sponsored community service performed annually by our employees.
- Company-sponsored workplace giving campaigns with the United Way and Water For People, as well annual contributions from the American Water Charitable Foundation, focused on supporting employees in their own charitable endeavors, providing support for disaster relief efforts, and providing funding for initiatives related to clean water, conservation, education and community sustainability.
- Over 85% of our job requisitions had a diverse candidate pool, with more than 50% of transfers or promotions filled by minority, female, veteran or disabled individuals.

Governance

- Our Board of Directors is led by an independent, non-executive chairman, and has an average director tenure, including our two new directors, of approximately 6 years.
- Including our two new directors, we have achieved gender parity among the members of the Board of Directors.
- Stock ownership guidelines and retention requirements that align equity ownership of executives and directors with the long-term interests of our stockholders.

Research and Development

Our Research and Development Program

We maintain an industry-leading Research and Development ("R&D") program that is designed to enhance our services, help ensure compliance, and improve quality and operational effectiveness. Our R&D personnel are

located in New Jersey and Illinois, the latter housing our quality control and testing laboratory, which supports our R&D activities through testing and analysis. Approximately one-third of our research budget is funded by competitively awarded outside research grants. Such grants reduce the cost of research and allow collaboration with leading national and international researchers. I n 2017, we spent $3 million on research in total, including $1 million funded by grants. Spending on research amounted to $4 million, including $1 million funded by grants, in each of 2016 and 2015.

We continue to leverage the Company's expertise and collaborate with the EPA to help establish effective environmental, health and safety, and water quality standards and regulation. This relationship includes the sharing of our research, such as our treatment and distribution system optimization research and our and national water quality monitoring data. Our engagement with the EPA provides us with early insight into emerging regulatory issues and initiatives, thereby allowing us to anticipate and to accommodate our future compliance requirements. We also frequently engage with the Centers for Disease Control and other state environmental agencies. We believe that continued R&D activities are critical for providing safe, reliable and affordable services, as well as maintaining our leadership position in the industry, which provides us with a competitive advantage as we seek additional business with new and existing customers.

Emerging Contaminants

Emerging contaminants include chemicals such as pharmaceuticals, personal care products, pesticides, herbicides and endocrine disrupting compounds, which have been detected in drinking water supplies, for which the risk to the public's health is not fully understood and/or has not been quantified. While these contaminants have been present in our drinking water for as long as they have been in use, technological advances have only recently made it possible to detect many of them. The ability to detect contaminants, even at trace levels, has raised questions among regulators and government agencies, further affecting the public's perception of drinking water quality.

The Chemicals Abstract Service Registry contains over 130 million registered chemicals, with a new substance being produced approximately every 3 seconds from chemical breakdown and reformation. We are continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to our water supply, to act on emerging regulations and new health advisories, and to research the influx of advanced treatment technologies. We maintain state-of-the-art water quality testing equipment and implement new and emerging technologies to help predict and manage potential water supply contamination issues. Examples of our efforts include:

- using our research findings to communicate information to our customers (via a web site) on the actions they can take to manage Legionella (the Centers for Disease Control statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with plumbing systems in large buildings);
- aerial drone testing to detect harmful algal blooms and ultrasonic technology testing to help prevent taste and odor events and to eliminate cyanotoxins before they get to the water treatment plant;
- the implementation of water source assessment tools, including sensors and analytics, to evaluate and track chemical storage and transport through watersheds and to detect source water contamination events; and
- the implementation of activated carbon and biofiltration for the control of emerging contaminants.

Support Services

American Water Works Service Company, Inc. (the "Service Company") is our wholly owned subsidiary that provides support and operational services to the Company's operating subsidiaries. These services are predominantly provided to our Regulated Businesses under contracts that have been approved by PUCs, where

necessary, and are also provided to (i) our three Market-Based Businesses organized under American Water Enterprises, Inc., our wholly owned subsidiary ("AWE"), and (ii) Keystone as requested or may be necessary. Services provided by the Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, rates and regulatory support, security, risk management, treasury, water quality and R&D. The Service Company also operates two national customer service centers located in Alton, Illinois and Pensacola, Florida, which provide customer relations, field service and operational support to our Regulated Businesses. Services are provided by the Service Company at cost, enabling our operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

Our security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout our operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for our physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company's information systems. These controls: (i) are aimed at assuring the continuity of business processes that are dependent upon automation; (ii) seek to maintain the integrity of our data; (iii) support regulatory and legislative compliance requirements; and (iv) are aimed at maintaining safe and reliable service to our customers. We engage in partnerships with U.S. federal, state and local law enforcement agencies to coordinate and improve the security of our water delivery systems and to safeguard our water supply and operations.

Employee Matters

As of December 31, 2017, approximately 46% of our workforce was represented by unions, which include 76 collective bargaining agreements with 19 different unions. Additionally, as of December 31, 2017 we had one collective bargaining agreement beyond expiration, affecting approximately 180 employees, all of which are actively working under the terms of the existing agreement, and another collective bargaining agreement in the process of being implemented, affecting approximately 20 employees. During 2018, 20 of our collective bargaining agreements, and our national benefits agreement with most of the labor unions representing employees in our Regulated Businesses, will be expiring in accordance with their terms.

Executive Officers

The following table summarizes the name, age, offices held and business experience for each of our executive officers, as of February 20, 2018:

Name	Age	Office and Experience
Susan N. Story	58	**President and Chief Executive Officer.** Ms. Story has served as President and Chief Executive Officer of the Company since May 2014. Ms. Story served as Senior Vice President and Chief Financial Officer of the Company from April 2013 until May 2014. Prior to joining American Water, she served as President and Chief Executive Officer of Southern Company Services, a subsidiary of Southern Company, from January 2011 until March 2013 and President and Chief Executive Officer of Gulf Power Company, also a subsidiary of Southern Company, from 2003 until December 2010. Since 2008, Ms. Story has served as a member of the board of directors of Raymond James Financial, Inc., a diversified financial services company, and as lead director since 2016. Since January 2017, Ms. Story has also served on the board of directors of Dominion Energy, Inc., a producer and transporter of energy.

Name	Age	Office and Experience
Brian Chin	44	**Senior Vice President, Planning and Strategy Integration.** Mr. Chin joined the Company as its Senior Vice President, Planning and Strategy Integration on June 20, 2017. Prior to joining the Company, from May 2013 to April 2017, Mr. Chin served as the lead utility analyst for the North America research function at Bank of America Merrill Lynch. From 2001 to 2013, Mr. Chin worked in Electric Utilities Research at Citigroup. Within that period, Mr. Chin was the global head of Electric Utilities Research for Citigroup.
Deborah A. Degillio	46	**President, AWE.** Ms. Degillio has been President of AWE since May 2016. From January 2015 to May 2016, Ms. Degillio served as the Company's Vice President and Treasurer. Prior to that time, Ms. Degillio served as Vice President of Finance of AWE from November 2013 to February 2015, as a Vice President in the Company's Finance team for its Eastern Division from June 2009 until October 2013, and as Director of Financial Planning and Analysis for American Water's then Western states, from April 2007 until May 2009.
Melanie M. Kennedy	44	**Senior Vice President, Human Resources.** Since March 1, 2017, Ms. Kennedy has served as the Company's Senior Vice President, Human Resources. From August 2014 until February 2017, Ms. Kennedy served as Vice President, Human Resources of the Company, and from August 2012 to August 2014, she served as Director, Human Resources in our Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
Walter J. Lynch	55	**Executive Vice President and Chief Operating Officer.** Mr. Lynch has over 20 years of experience in the water and wastewater industry. Mr. Lynch has served as the Company's Executive Vice President and Chief Operating Officer since January 2016, as Chief Operating Officer of Regulated Operations from February 2010 to December 2015, and President of Regulated Operations from July 2008 to December 2015. Mr. Lynch joined us in 2001. Mr. Lynch is on the Board of Directors of the National Association of Water Companies and serves on its Executive Committee. In addition, Mr. Lynch also serves on the Water Research Foundation Board of Trustees.
Bradley A. Okoniewski	51	**Vice President, Safety and Environmental Leadership.** Mr. Okoniewski joined the Company on May 1, 2017 as its Vice President, Safety and Environmental Leadership. Prior to that, from April 2016 to May 2017, Mr. Okoniewski served as the global environmental, occupational health and safety director for Campbell Soup Company, a publicly-traded consumer products company based in Camden, New Jersey. Prior to that, Mr. Okoniewski served as the global director, safety, health and environmental affairs for Carpenter Technology Company, a publicly-traded specialty metals company based in Philadelphia, Pennsylvania, from February 2013 to March 2016.
Michael A. Sgro	59	**Executive Vice President, General Counsel and Secretary.** Mr. Sgro has over 20 years of experience in the water and wastewater industry. He has served as the Company's Executive Vice President, General Counsel and Secretary since January 1, 2016 and its Senior Vice President, General Counsel and Secretary from February 2015 to January 2016. Prior to that, he served as the Company's Interim General Counsel and Secretary from January 2015 until February 2015 and as Vice President, General Counsel and Secretary of American Water's Northeast Division beginning in 2002.

Name	Age	Office and Experience
Linda G. Sullivan	54	**Executive Vice President and Chief Financial Officer.** Ms. Sullivan has served as the Company's Executive Vice President and Chief Financial Officer since January 1, 2016 and the Company's Senior Vice President and Chief Financial Officer from May 2014 to December 31, 2015. Prior to joining American Water, Ms. Sullivan served as the Senior Vice President and Chief Financial Officer of Southern California Edison Company, a subsidiary of Edison International, from July 2009 until May 2014, and Vice President and Controller of both Edison International and Southern California Edison Company, from July 2004 until July 2009. Ms. Sullivan is a Certified Public Accountant (inactive) and a Certified Management Accountant. On April 27, 2017, Ms. Sullivan was elected to the Board of Directors of NorthWestern Corp. and serves on its Audit Committee. In addition, Ms. Sullivan serves on the board of directors of University of Maryland University College Ventures and on its Audit & Finance Committee and is a member of the EPA's Finance Advisory Board.
Radhakrishnan Swaminathan	56	**Senior Vice President, Chief Technology and Information Officer.** Mr. Swaminathan has served as Senior Vice President, Chief Technology and Innovation Officer of the Company since November 1, 2017. Mr. Swaminathan joined the Company in March 2016 as our Chief Technology and Innovation Officer. Prior to that, from October 2012 through February 2016, he served as Vice President and Chief Technology Officer, Energy, Natural Resources and Utilities, of WIPRO Technologies. Prior to that, he served as the Director of Smart Grid Technologies at NextEra Energy, Inc. from January 2009 through September 2012.
Loyd "Aldie" Warnock	58	**Senior Vice President of External Affairs and Business Development.** Mr. Warnock has served as the Company's Senior Vice President of External Affairs and Business Development since August 1, 2017. From April 2014 to July 31, 2017, Mr. Warnock served as the Company's Senior Vice President of External Affairs, Communications and Public Policy. Prior to joining the Company, he served as Senior Vice President of External Affairs at Midwest Independent System Operator, Inc., a non-profit, self-governing organization, from March 2011 to April 2014. Prior to that, he served as Vice President of External Affairs for Allegheny Energy, Inc. from December 2005 to February 2011 and Senior Vice President of Governmental and Regulatory Affairs at Mirant Corporation from July 2004 to November 2005. Mr. Warnock serves on the Board of Directors of the National Association of Water Companies and on the Executive Advisory Board of the Mississippi State University College of Business.
Melissa K. Wikle	52	**Vice President and Controller.** Ms. Wikle joined the Company in July 2016 as its Vice President and Controller, and assumed the duties of the Company's principal accounting officer in August 2016. Prior to joining the Company, Ms. Wikle served as Corporate Controller and Chief Accounting Officer of Columbus McKinnon Corporation, a publicly-traded worldwide designer, manufacturer and marketer of material handling products, systems and services, since April 2011. Ms. Wikle is a Certified Public Accountant.

Name	Age	Office and Experience
Charles Witherspoon	50	**Vice President and Treasurer.** Mr. Witherspoon has served as the Company's Vice President and Treasurer since February 14, 2018 and has over 24 years of collective experience in corporate treasury, marketing, finance and audit roles. Mr. Witherspoon joined the Company in January 2016 as its Assistant Treasurer. Prior to joining the Company, Mr. Witherspoon served as Vice President of Finance and Corporate Treasurer of Church & Dwight Co., Inc., a publicly-traded packaged goods company, from December 2007 to January 2016. Before that, Mr. Witherspoon held finance and treasury roles for Johnson & Johnson and FMC Corporation. Mr. Witherspoon is a Certified Public Accountant and a Certified Treasury Professional.

Each executive officer is elected annually by the Board of Directors and serves until his or her respective successor has been elected and qualified or his or her earlier death, resignation or removal.

Available Information

We are subject to the reporting requirements of the Exchange Act. We file or furnish annual, quarterly and current reports, proxy statements and other information with the SEC. You may obtain a copy of our annual reports on Form 10-K, our quarterly reports on Form 10-Q or our current reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Investor Relations section of our website, *http://ir.amwater.com,* as soon as reasonably practicable after we file or furnish the information to the SEC. Information contained on our website shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. We recognize our website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with our disclosure obligations under SEC Regulation FD.

The American Water corporate governance guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding our corporate governance, are available on our Investor Relations website, *http://ir.amwater.com,* and will be made available, without charge, in print to any stockholder who requests such documents from our Investor Relations Department, American Water Works Company, Inc., 1025 Laurel Oak Road, Voorhees, NJ, 08043.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Form 10-K, the following factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our utility operations are subject to extensive economic regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our utility operations also may be subject to fines, penalties and other sanctions for the inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to economic regulation by state PUCs. Economic regulation affects the rates we charge our customers and has a significant impact on our business and results of operations. Generally, the state PUCs authorize us to

charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request to an extent that is sufficient to:

- cover our expenses, including purchased water and costs of chemicals, fuel and other commodities used in our operations;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval of the PUCs is also required in connection with other aspects of our utilities' operations. Some state PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Our utilities are also required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if rates are sufficient, we face the risk that we will not achieve the rates of return on our invested capital to the extent permitted by state PUCs. This could occur if certain conditions exist, including but not limited to, if water usage is less than the level anticipated in establishing rates, or if our investments or expenses prove to be higher than the level estimated in establishing rates.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to emerging contaminants, compliance with which could impact our operating costs, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our water and wastewater operations and the operations of our Market-Based Businesses are subject to extensive federal, state and local laws and regulations and, in the case of our Canadian operations, Canadian laws and regulations that govern the protection of the environment, health and safety, the quality of the water we deliver to our customers, water allocation rights, and the manner in which we collect, treat, discharge and dispose of wastewater. These requirements include CERCLA, the Clean Water Act and the Safe Drinking Water Act, and similar state and Canadian laws and regulations. For example, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

In addition, state PUCs also set conditions and standards for the water and wastewater services we deliver. If we deliver water or wastewater services to our customers that do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business

which, in part, involves supplying water for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations, and their enforcement, generally have become more stringent over time, and new or stricter requirements could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity.

We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination at our properties, including potential spills of hazardous chemicals, such as chlorine, which we use to treat water, or at off-site locations where we have disposed of waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to emerging contaminants, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of emerging contaminants include, but are not limited to, newly created chemical compounds (including, for example, perfluorinated compounds and manufactured nanomaterials); human and veterinary products; microbes, viruses, amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants. Our role is to meet or surpass those standards, when established. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for an emerging contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which emerging contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe emerging contaminants may form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies as a result of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams and groundwater aquifers, are held in the public trust and are not owned by private interests. As a result, we typically do not own the water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities. Passing-flow requirements set minimum volumes of water that must pass through specified water sources, such as rivers and streams, in order to maintain environmental habitats and meet water allocation rights of downstream users. Allocation rights are imposed to ensure sustainability of major water sources and passing-flow requirements are most often imposed on source waters from smaller rivers, lakes and streams. These requirements, which can change from time to time, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with an October 20, 2009 cease and desist order (the "2009 Order"), as amended by an order in July 2016 (the "2016 Order"), of the SWRCB that requires Cal Am to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminates on December 31, 2021 (the "2021 Deadline"). We are also required to augment our Monterey County sources of water supply to comply with the requirements of the Endangered Species Act. We cannot predict whether Cal Am will be able to secure alternative sources of water, or if Cal Am will be exposed to liabilities if it is unable to meet the 2021 Deadline under the 2009 Order and the 2016 Order. If Cal Am or any of our other subsidiaries are unable to secure an alternative source of water, or if other adverse consequences result from the events described above, our business, financial condition, results of operations and cash flows could be adversely affected. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter.

The current regulatory rate setting process may result in a significant delay, also known as "regulatory lag," from the time that we invest in infrastructure improvements, incur increased operating expenses or experience declining water usage, to the time at which we can seek to address these events in rate case applications; our inability to minimize regulatory lag could adversely affect our business.

There is typically a delay, known as "regulatory lag," between the time one of our regulated subsidiaries makes a capital investment or incurs an operating expense increase and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water usage in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to reduce this regulatory lag could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to reduce regulatory lag by pursuing constructive regulatory policies. For example, ten of our state PUCs permit rates to be adjusted outside of the rate case application process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC approved rates. Furthermore, in setting rates, nine of our state PUCs allow us to use future test years, which extend beyond the date a rate request is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such programs include states that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or power, conservation, chemical or other expenditures. These surcharge mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under the rate case application process.

While these programs have reduced regulatory lag in several of our regulated states, we continue to seek expansion of programs to reduce regulatory lag in those jurisdictions that have not approved such programs. Furthermore, PUCs may fail to adopt new surcharge programs and existing programs may not continue in their current form, or at all. Although we intend to continue our efforts to expand state PUC approval of surcharges to address issues of regulatory lag, our efforts may not be successful, or even if successful they may not completely address our regulatory lag, in which case our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations and changes in certain agreements can significantly affect our business, financial condition, results of operations, cash flows and liquidity.

New legislation, regulations, government policies or court decisions, including without limitation with respect to federal and state income and other tax laws, can materially affect our operations, results of operations and cash flows. The individuals who serve as regulators are elected or political appointees. Therefore, elections

which result in a change of political administration or new appointments may also result in changes in the individuals who serve as regulators and the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to raise our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets or issue securities, or making it less cost-effective for us to do so;
- negatively impacting the deductibility of expenses under federal or state tax laws, the amount of tax credits or tax abatement benefits that may be available, the amount of taxes owed, or the ability to utilize our net operating loss carryforwards;
- changing regulations that affect the benefits we expected to receive when we began offering services in a particular area;
- increasing the costs associated with complying with environmental, health, safety and water quality regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of the certificates of public convenience and necessity (or similar authorizations) issued to us by state PUCs.

Any of the foregoing consequences could have an adverse effect on our business, financial condition, results of operations, cash flows and liquidity.

In addition, new Federal, state and local laws, changes in existing laws, rules or regulations, or administrative interpretations thereof, could impact us. On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the maximum U.S. federal corporate income tax rate from 35% to 21% as of January 1, 2018, and certain other provisions related specifically to the public utility industry, including continuation of interest expense deductibility, the exclusion from utilizing bonus depreciation and the normalization of deferred income taxes. The enactment of the TCJA required a re-measurement of our deferred income taxes that materially impacted our 2017 results of operations and financial position. We have assumed that the predominant majority of our deferred tax assets and liabilities at our utility subsidiaries will remain subject to a normalization

method of accounting pursuant to the U.S. tax code or applicable PUC regulations and that we will be able to deduct for U.S. federal corporate income tax purposes substantially all of our interest expense, based upon our interpretation of U.S. tax law debt allocation methodologies, at the TCJA's 21% corporate tax rate. The adoption or issuance of any Related Interpretations that impact these assumptions or with respect to provisions related specifically to the public utility industry or to corporate taxpayers in general may also impact our future financial performance, including our results of operations, cash flows and liquidity, which impacts will largely be determined through future regulatory proceedings. All of our 14 jurisdictions subject to economic regulation have opened formal proceedings related to the TCJA, and we have open rate cases in three of them. At this time, we cannot predict the impacts of any Related Interpretations, if and when issued, on us, or the regulatory treatment of the TCJA in each of our regulatory jurisdictions. Moreover, we are unable to determine or predict the potential impacts, if any, of any other new or amended laws, rules or regulations, or interpretations thereof, to the extent they may be ultimately enacted, adopted or issued, on us or our businesses, financial condition, results of operations, cash flows and liquidity.

Service disruptions caused by severe weather conditions, climate variability patterns or natural disasters may disrupt our operations or reduce the demand for our water services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and other natural events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, wildfires, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, severe electrical storms and solar flares. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal drought conditions that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. As examples, drought conditions had persisted in California over a five-year period, and had been declared in New Jersey in 2016. In 2017, these droughts were declared concluded, but other droughts that may occur from time to time may result in the imposition of voluntary or mandatory water use targets, rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot assure that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after drought restrictions are repealed and the drought has ended, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention worldwide. Some scientific experts are predicting a worsening of weather volatility in the future associated with climate variability. Many climate variability predictions, if true, present several potential challenges to water and wastewater utilities, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- challenges associated with changes in temperature or increases in ocean levels;

- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in disruptions in service;
- increased costs to repair damaged facilities; or
- increased costs to reduce risks associated with the increasing frequency of natural events, including to improve the resiliency and reliability of our water production and delivery facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Although some or all potential expenditures and costs with respect to our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that state PUCs would authorize rate increases to enable us to recover such expenditures and costs, in whole or in part.

A loss of one or more large industrial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions or other factors can cause our customers, particularly industrial customers, to curtail operations. A curtailment of operations by an industrial customer would typically result in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these industrial customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2017, we invested $1.4 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will likely increase in the future. We expect to fund capital improvement projects using cash generated from operations, borrowings under our revolving credit facility and commercial paper programs and issuances of long-term debt. We may not be able to access our revolving credit facility or the commercial paper, long-term debt and equity capital markets, when necessary or desirable to fund capital improvements on favorable terms or at all. If we are not able to obtain sufficient financing, we could be unable to maintain our existing property, plant and equipment, fund our capital investment strategies, meet our growth targets and expand our rate base to enable us to earn satisfactory future returns on our investments. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, or other obstacles. Each of these outcomes could adversely affect our financial condition, results of operations and cash flows.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues.

Three of our jurisdictions, California, Illinois and New York, have adopted revenue stability mechanisms, which permit us to collect state PUC-authorized revenue for a given period which is not tied to the volume of water sold during that period. Revenue stability mechanisms are designed to allow utilities to recover the fixed cost of operations while supporting water conservation goals. In those jurisdictions that have not adopted a revenue stability mechanism, operating results could continue to be affected by seasonality.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from man-made sources (such as perchlorate, methyl tertiary butyl ether, lead and other materials, chemical spills or other accidents that result in contaminants entering the water source), and possible terrorist attacks. In addition, new categories of these substances continue to emerge in the water treatment industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) continuing limited use of the water supply under a “Do Not Use” protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms. Any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies.

In this regard, on January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances into the Elk River near the West Virginia-American Water Company (“WVAWC”) treatment plant intake in Charleston, West Virginia. On September 21, 2017, the U.S. District Court for the Southern District of West Virginia granted preliminary approval of a settlement class and proposed global class action settlement (the “Settlement”) of claims involving WVAWC and its affiliates arising out of the Freedom Industries chemical spill. Under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia (the “PSC”) for the amounts paid by WVAWC, net of insurance recoveries, under the Settlement. See Item 3—Legal Proceedings—West Virginia Elk River Freedom Industries Chemical Spill, which includes additional information regarding this matter.

Since we engage in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our

customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur, and we may not be protected from these claims or negative impacts therefrom in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances in the water or water supplies. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage as part of our overall legal and risk management strategy to minimize potential liabilities arising from our utility operations, as well as the operations of our Market-Based Businesses. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage or for which we are self-insured.

Although in the past we have been generally able to cover our insurance needs, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or other sanctions.

Water and wastewater utilities, including our regulated subsidiaries and our Market-Based Businesses, have a large direct and indirect customer base and as a result are exposed to public criticism regarding, among other things, the reliability of their water, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our agreements related to our Market-Based Businesses, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 80 dams, a failure of any of which could result in personal injury and downstream property damage for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases, the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes and storage systems located across the United States. A failure of major pipes or reservoirs could result in injuries and property damage for which we may be liable. The failure of major pipes and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, that may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition of water and wastewater systems in order to broaden our current, and move into new, service areas. We may not be able to acquire other businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. Further, competition for acquisition opportunities from other regulated utilities, governmental entities, and other buyers may hinder our ability to expand our business.

The negotiation of potential acquisitions as well as the integration of acquired businesses with our existing operations could require us to incur significant costs and cause diversion of our management's time and resources. Future acquisitions by us could result in, among other things:

- incurrence or assumption of debt, contingent liabilities and environmental liabilities of or with respect to an acquired business, including liabilities that were unknown at the time of acquisition;
- failure to recover acquisition premiums;
- unanticipated capital expenditures;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly results;
- unanticipated acquisition-related expenses;
- failure to realize anticipated benefits, such as cost savings and revenue enhancements; and
- difficulties in assimilating personnel, benefits, services and systems.

Some or all of these items could have a material adverse effect on our business. The businesses we acquire in the future may not achieve anticipated sales and profitability, and any difficulties we encounter in the integration process could interfere with our operations, reduce our operating margins and adversely affect our internal control over financial reporting.

We compete with governmental entities, other regulated utilities, and strategic and financial buyers for acquisition opportunities. If consolidation becomes more prevalent in the water and wastewater industries and competition for acquisitions increases, the prices for suitable acquisition candidates may increase and limit our ability to expand through acquisitions.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. Should a municipality or other government subdivision or a citizen group seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition, we may resist the acquisition.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate, including, for example, California, provide for eminent domain rights allowing private property owners to seek just compensation against a public utility if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. These actions have occurred in connection with events such as floods, mudslides and debris flow, broken water mains, landslides and wild and brush fires.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management of affected Regulated Businesses from the operation of those businesses. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We rely on technology systems to facilitate the management of our business and customer and supplier relationships, and a disruption of these systems could adversely affect our business.

Our technology systems, particularly our operational technology and IT systems, are an integral part of our business, and any disruption of these systems could significantly limit our ability to manage and operate our business efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. For example, we depend on these systems to bill customers, process orders, provide customer service, manage certain plant operations and construction projects, manage our financial records, track assets, remotely monitor certain of our plants and facilities and manage human resources, inventory and accounts receivable collections. These systems also enable us to purchase products from our suppliers and bill customers on a timely basis, maintain cost-effective operations and provide service to our customers.

Although we do not believe that these systems are at a materially greater risk of failure or cybersecurity incidents than other similar organizations, our operational technology and IT systems remain vulnerable to damage or interruption from:

- power loss, computer systems failures, and internet, telecommunications or data network failures;
- operator error or improper operation by, or the negligent or improper supervision of, employees and contractors;
- physical and electronic loss of customer or employee data due to security breaches, cyber attacks, misappropriation and similar events;
- computer viruses;
- intentional security breaches, hacking, denial of services actions, misappropriation of data and similar events; and
- severe weather and other events, including without limitation, hurricanes, tornadoes, fires, floods, earthquakes and other disasters.

These events may result in physical and electronic loss of customer, employee or financial data, security breaches, misappropriation and other adverse consequences. In addition, a lack of or inadequate levels of redundancy for certain of these systems, including billing systems, could exacerbate the impact of any of these events on us. We may not be successful in developing or acquiring technology that is competitive and responsive to the needs of our business, and we might lack sufficient resources to make the necessary upgrades or replacements of outdated existing technology to enable us to continue to operate at our current level of efficiency.

We may be subject to physical and/or cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and/or cyber attacks. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber acts of war or terrorism, vandalism or other causes. Our operational technology and IT systems throughout our businesses may be vulnerable to unauthorized access due to hacking, viruses, acts of war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our customers, employees, suppliers and other third parties. While we have instituted certain safeguards to protect our operational technology and IT systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; experience substantial loss of revenues, response costs and other financial loss; suffer a loss of management time, attention and resources from our regular business operations; and be subject to increased regulation, litigation, and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs. Losses resulting from a physical or cyber attack against us or our operations or assets may not be covered by, or may exceed the coverage provided by, applicable insurance policies.

In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that could be targets of cyber attacks. Any theft, loss and/or fraudulent use of customer, employee or proprietary data as a result of a cyber attack could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

Our inability to efficiently upgrade and improve our operational technology and IT systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We continue to implement technology to improve our business processes and customer interactions, and have installed new, and upgraded existing, technology systems. These efforts support our broader strategic initiatives and are intended to improve our operations and enhance our customer service capabilities. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Our business has inherently dangerous workplaces. If we fail to maintain safe work sites, we may experience workforce injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Our safety record is critical to our reputation. We maintain health and safety standards to protect our employees, customers, contractors, vendors and the public. Although we intend to adhere to such health and safety standards and aim for zero injuries, it is extremely difficult to avoid accidents at all times.

Our business sites, including construction and maintenance sites, often put our employees, contractors and others in close proximity with large pieces of equipment, moving vehicles, pressurized water, underground trenches and vaults, chemicals and other regulated materials. On many sites we are responsible for safety and, accordingly, must implement safety procedures. If we fail to implement such procedures or if the procedures we implement are ineffective or are not followed by our employees or others, our employees, contractors and others may be injured or die. Unsafe work sites also have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the handling and storage of hazardous chemicals, which, if improperly handled, stored or disposed of, could subject us to penalties or other liabilities. We are also subject to regulations dealing with occupational health and safety. Although we maintain functional employee groups whose primary purpose is to ensure we implement effective health, safety, and environmental work procedures throughout our organization, including construction sites and maintenance sites, the failure to comply with such regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations.

As of December 31, 2017, approximately 46% of our workforce was represented by unions, and we had 76 collective bargaining agreements in place with 19 different unions representing our unionized employees. These collective bargaining agreements, including 35 which expired in 2017, and 20 which will expire during 2018, are subject to periodic renewal and renegotiation. Moreover, our national benefits agreement with most of the labor unions that represent employees in our Regulated Businesses expires on July 31, 2018 and will be renegotiated during 2018. We may not be able to successfully renew or renegotiate these labor contracts on terms that are fair to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the

threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations and result in higher labor costs, which could adversely affect our financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Our continued success is dependent upon our ability to hire, retain, and utilize qualified personnel.

The success of our business is dependent upon our ability to hire, retain, and utilize qualified personnel, including engineers, licensed operators, water quality and other operating and craft personnel, and management professionals who have the required experience and expertise. From time to time, it may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded for our business needs. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire and retain qualified personnel.

In addition, as some of our key personnel approach retirement age, we need to have appropriate succession plans in place and to successfully implement such plans. If we cannot attract and retain qualified personnel or effectively implement appropriate succession plans, it could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Financial and Market-Related Risks

Our indebtedness could affect our business adversely and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2017, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $7.7 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

In order to meet our capital expenditure needs, we may be required to make additional borrowings under our revolving credit facility or issue new short-term and long-term debt securities. Moreover, additional borrowings may be required to refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2018, 2019 and 2020 will be $322 million, $170 million and $51 million, respectively. We can provide no assurance that we will be able to access the debt capital markets on favorable terms, if at all. Moreover, if new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to refinance existing debt on favorable terms.

In an attempt to manage our exposure to interest rate risk associated with our issuance of variable and fixed-rate debt, we have entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps, swaptions and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly "mark to market" valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

We will depend primarily on cash flows from operations to fund our expenses and to pay the principal and interest on our outstanding debt. Therefore, our ability to pay our expenses and satisfy our debt service obligations depends on our future performance, which will be affected by financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other factors largely beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected adversely.

Our inability to access the capital or financial markets or other events could affect our ability to meet our liquidity needs at reasonable cost and our ability to meet long-term commitments, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, we rely primarily on our revolving credit facility, commercial paper programs, and the capital markets to satisfy our liquidity needs. In this regard, our principal external sources of short-term liquidity are our $1.6 billion commercial paper program and our $1.75 billion revolving credit facility. Our revolving credit facility expires in accordance with its terms in June 2020. We regularly use our commercial paper program under this revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally can obtain in the commercial paper market. As of December 31, 2017, American Water Capital Corp. ("AWCC"), our wholly owned financing subsidiary, had no outstanding borrowings under the revolving credit facility, and had $905 million of commercial paper outstanding and $84 million in outstanding letters of credit. There can be no assurance that AWCC will be able to continue to access its commercial paper program or its revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

Under the terms of our revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the credit facility. If our equity were to decline or debt were to increase to a level that caused our debt to exceed this limit, lenders under the credit facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt under the credit facility immediately due and payable. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility.

Our ability to comply with this and other covenants contained in the revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our stockholders to complete.

Disruptions in the capital markets or changes in our credit ratings could also limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in our revolving credit facility

have met all of their obligations, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. These or other occurrences may cause our lenders to not meet their existing commitments, and we may not be able to access the commercial paper or loan or debt markets in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under this facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Longer term disruptions in the capital and credit markets as a result of uncertainty, including as a result of changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the liquidity needed for our business. Any significant disruption in the capital, debt or credit markets, or financial institution failures could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures.

Any of the foregoing events that impede our access to the capital markets, or the failure of any of our lenders to meet their commitments that result from financial market disruptions, could expose us to increased interest expense, require us to institute cash conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity.

American Water may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds to American Water.

American Water is a holding company and, as such, American Water has no operations of its own. Substantially all of our consolidated assets are held by subsidiaries. American Water's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends to American Water or repay indebtedness to American Water. Prior to paying dividends to American Water, American Water's regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and covenants and other agreements made or entered into by American Water and its subsidiaries. American Water's subsidiaries are separate legal entities and have no obligation to pay dividends to American Water. A failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on American Water's liquidity and its ability to pay dividends on its common stock and meet its other obligations.

We may not be able to fully utilize our U.S. and state net operating loss carryforwards.

As of December 31, 2017, we had U.S. federal and state NOL carryforwards of approximately $1.05 billion and $322 million, respectively, and management believes it is more likely than not that these NOL carryforwards will be recovered in the future. With the enactment of the TCJA, the Company analyzed the impacts of the reduction in the U.S. federal corporate income tax rate from 35% to 21% on the Company's deferred tax assets and liabilities, including its NOL carryforwards, and as a result, remeasured those NOL carryforwards as of the date of enactment of the TCJA based on this tax rate change.

Our federal NOL carryforwards will begin to expire in 2028, and our state NOL carryforwards will begin to expire in 2018 through 2037. Our ability to utilize our NOL carryforwards is primarily dependent upon our ability to generate sufficient taxable income. We have, in the past, been unable to utilize certain of our state NOL carryforwards, and the establishment or increase of a valuation allowance in the future would reduce our deferred income tax assets and our net income.

Our actual results may differ from those estimated by management in making its assessment as to our ability to use the NOL carryforwards. Moreover, adoption of Related Interpretations with respect to the TCJA and other

changes in income tax laws, the economy and the general business environment could affect the future utilization of our NOL carryforwards. If we are unable to fully utilize our NOL carryforwards to offset taxable income generated in the future, our financial position, results of operations and cash flows could be materially adversely affected.

We have recorded a significant amount of goodwill, and we may never realize the full value of our intangible assets, causing us to record impairments that may negatively affect our results of operations.

Our total assets include $1.4 billion of goodwill at December 31, 2017. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003 and the acquisition of E'town Corporation by a predecessor to our previous owner in 2001, and, to a lesser extent, the acquisition of Keystone in 2015. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, we have taken significant non-cash charges to operating results for goodwill impairments in the past.

We may be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance or the performance of an acquired business. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or, with respect to Keystone, fluctuations in the level of exploration and production activities in the Marcellus and Utica shale regions served by Keystone, a prolonged depression of natural gas prices or other factors that negatively impact our current or future forecasts of operating results, cash flows or key assumptions. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill would result in a charge to income in the period in which the impairment occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

Market conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations, which may cause investment returns to fall below our projected return rates. A decline in the market value of the pension and postretirement benefit plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. If interest rates decrease, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in demographics, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected.

In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that market data compels us to reduce the discount rate used in our assumptions, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flow and financial condition.

Our Consolidated Financial Statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flow and financial condition. We could be required to apply a new or revised standard retroactively, which could adversely affect our results of operations, cash flow and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. Such compliance permits us to, among other things, disclose and report financial and other information in connection with the recovery of our costs and with the reporting requirements under federal securities, tax and other laws and regulations.

We have implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and relevant SEC rules, as well as other applicable regulations. Such internal controls and policies have been and continue to be closely monitored by our management and Board of Directors to ensure continued compliance with these laws, rules and regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated and unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and noncompliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also increase financing costs or could also adversely affect our or AWCC's ability to access the capital markets.

Additional Risks Related to Our Market-Based Businesses

We (excluding our regulated subsidiaries) provide performance guarantees with respect to certain obligations of our Market-Based Businesses, including financial guarantees or deposits, to our public-sector and public clients, and these clients may seek to enforce the guarantees if our Market-Based Businesses do not satisfy these obligations.

Under the terms of some of our agreements for the provision of services to water and wastewater facilities with municipalities, other governmental entities and other customers, American Water (excluding our regulated subsidiaries) provides guarantees of specified performance obligations of our Market-Based Businesses, including financial guarantees or deposits. In the event our Market-Based Businesses fail to perform these obligations, the entity holding the guarantees may seek to enforce the performance commitments against us or proceed against the deposit. In that event, our financial condition, results of operations, cash flows, and liquidity could be adversely affected.

At December 31, 2017, we had remaining performance commitments as measured by remaining contract revenue totaling approximately $3.6 billion, and this amount is likely to increase if our Market-Based Businesses expand. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

AWE's operations are subject to various risks associated with doing business with the U.S. government.

We enter into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to redetermination two years after commencement of operations and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. Any early contract termination or unfavorable price redetermination could adversely affect our financial condition, results of operations and cash flows.

Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or barred from bidding on or receiving awards of new contracts with the U.S. government, which could have a material adverse effect on our results of operations and cash flows.

AWE operates a number of water and wastewater systems under O&M contracts and faces the risk that the owners of those systems may fail to provide capital to properly maintain those systems, which may negatively affect AWE as the operator of the systems.

AWE operates a number of water and wastewater systems under O&M contracts. Pursuant to these contracts, AWE operates the system according to the standards set forth in the applicable contract, and it is generally the responsibility of the owner of the system to undertake capital improvements. In some cases, AWE may not be able to convince the owner to make needed improvements in order to maintain compliance with applicable regulations. Although violations and fines incurred by water and wastewater systems may be the responsibility of the owner of the system under these contracts, those non-compliance events may reflect poorly on AWE as the operator of the system and us, and damage our reputation, and in some cases, may result in liability to us to the same extent as if we were the owner.

AWE's Market-Based Businesses are party to long-term contracts to operate and maintain water and wastewater systems under which we may incur costs in excess of payments received.

Some of AWE's Market-Based Businesses enter into long-term contracts under which they agree to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities, which includes specified major maintenance for some of those facilities, in exchange for an annual fee. These Market-Based Businesses are generally subject to the risk that costs associated with operating and maintaining the facilities, including production costs such as purchased water, electricity, fuel and chemicals used in water treatment, may exceed the fees received from the municipality or other contracting party. Losses under these contracts or guarantees may adversely affect our financial condition, results of operations, cash flows and liquidity.

Keystone's operations may expose us to substantial costs and liabilities with respect to environmental laws and matters.

Keystone's operations, and the operation generally of natural gas and oil exploration and production facilities by Keystone's customers, are subject to stringent federal, state and local laws, rules, regulations and ordinances governing the release of materials into the environment or otherwise relating to environmental protection. These provisions may require the acquisition by Keystone of permits or licenses before providing its

services to customers, prohibit the release of substances defined thereunder as hazardous in connection with these activities, and impose substantial liabilities for the violation thereof that may result from these operations. Failure to comply with these laws, rules, regulations and ordinances may result in substantial environmental remediation and other costs to Keystone, the assessment of administrative, civil and criminal penalties or the issuance of injunctions restricting or prohibiting certain activities. Under existing environmental laws and regulations, Keystone could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether the release resulted from its operations, or whether its operations were in compliance with all applicable laws at the time they were performed. While we have structured and maintained our ownership and control of Keystone's operations in such a way that we believe should insulate the Company, its regulated subsidiaries and its other Market-Based Businesses from any liabilities associated with Keystone's operations, including liabilities for environmental matters, there can be no assurance that such efforts will be sufficient to prevent the Company from incurring liability for the operations of Keystone.

Changes in environmental laws and regulations occur frequently, and any changes to these or other laws governing the natural gas and oil exploration industry that result in more stringent or costly water or wastewater handling, storage, transport, disposal or cleanup requirements could require Keystone to make significant expenditures to maintain compliance with such requirements, may harm Keystone's business and results of operations by reducing the demand for Keystone's water and related services, and may otherwise have a material adverse effect on Keystone's competitive position, financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our properties consist primarily of: (i) water and wastewater treatment plants; (ii) mains and pipes used for transmission, distribution and collection of water and wastewater; (iii) wells and other sources of water supply, such as reservoirs; (iv) water and wastewater pumping stations; (v) meters and fire hydrants; (vi) general structures, including buildings, dams and treated water storage facilities; (vii) land and easements; (viii) vehicles; (ix) software rights and; (x) other equipment and facilities, the majority of which are used directly in the operation of our systems. Substantially all of our properties are owned by our subsidiaries, with a large percentage subject to liens of our mortgage bonds. We lease our corporate offices, located in Voorhees, New Jersey, equipment and furniture from certain of our wholly owned subsidiaries. These properties are utilized by our directors, officers and staff in the conduct of the business.

The properties of our Regulated Businesses consist mainly of:

- 72 surface water treatment plants;
- 527 groundwater treatment plants;
- 8 combined (surface water and groundwater) treatment plants;
- 127 wastewater treatment plants;
- 50,382 miles of transmission, distribution and collection mains and pipes;
- 1,103 groundwater wells;
- 1,428 water and wastewater pumping stations;
- 1,313 treated water storage facilities; and
- 80 dams.

We have ongoing infrastructure renewal programs in all states in which our Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties of our Market-Based Businesses consist mainly of office furniture and IT equipment, and are primarily located in New Jersey. Approximately 52% of all properties that we own are located in New Jersey and Pennsylvania.

We maintain property insurance against loss or damage to our properties by fire or other perils, subject to certain exceptions. For insured losses, we are self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

We believe that our properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Alternative Water Supply in Lieu of Carmel River Diversions

Under the 2009 Order, Cal Am is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by a 1995 SWRCB order. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving a five-year extension of the deadline to comply with the 2009 Order, to December 31, 2021. In November 2016, the Water Ratepayers Association of the Monterey Peninsula, a citizens' advocacy group, filed an action in Sacramento County Superior Court against the SWRCB and its board members, and naming Cal Am as the real party in interest, seeking to reverse the extension of the 2009 Order, to rescind the designation by the California Public Utilities Commission (the "CPUC") of Cal Am as the public utility water provider to the Monterey Peninsula, and to appoint a receiver to oversee Cal Am's compliance with the 2009 Order, with ultimate transfer to a public entity. In May 2017, Cal Am and the SWRCB filed demurrers to the action, and on June 12, 2017, the court entered an order sustaining those demurrers and dismissing the action with prejudice.

Regional Desalination Project Litigation

The Regional Desalination Project (the "RDP") involved the construction of a desalination facility in the City of Marina, north of Monterey. The RDP was intended to, among other things, eliminate unauthorized diversions from the Carmel River as required under the 2009 Order. In December 2010, the CPUC approved the RDP, which was to be implemented through a Water Purchase Agreement and ancillary agreements (collectively, the "Agreements") among the Marina Coast Water District ("MCWD"), the Monterey County Water Resources Agency ("MCWRA") and Cal Am. In 2011, due to a conflict of interest concerning a former member of MCWRA's Board of Directors, MCWRA stated that the Agreements were void, and, as a result, Cal Am terminated the Agreements. In April 2015, the CPUC approved a settlement agreement among Cal Am, MCWRA and the County of Monterey to resolve these matters among the parties signing the agreement. In March 2016, the Supreme Court of California granted MCWD's petition for review of the CPUC approval, and following the court's disposition of a related issue in another case, MCWD's petition for review of the CPUC-approved settlement agreement was remanded to the CPUC, and remains pending.

In October 2012, Cal Am filed a Complaint for Declaratory Relief against MCWRA and MCWD, which was ultimately transferred to the San Francisco County Superior Court, seeking a determination as to whether the Agreements are void as a result of the alleged conflict of interest. In June 2015, the court entered a final judgment agreeing with Cal Am's position that four of the five Agreements are void, and one, the credit line agreement, is not void. In November 2016, the Supreme Court of California denied MCWD's final appeal of this judgment, which allows further proceedings to determine the amount of damages that may be awarded in the proceeding.

In July 2015, Cal Am and MCWRA filed a Complaint in San Francisco County Superior Court against MCWD and RMC Water and Environment ("RMC"), a private engineering consulting firm, seeking to recover compensatory damages in excess of $10 million associated with the failure of the RDP, as well as punitive and treble damages, statutory penalties and attorneys' fees. Shortly thereafter, complaints seeking similar damages were filed in the same court by MCWD and RMC against Cal Am and MCWRA in excess of $19 million in the aggregate. In December 2015, the court consolidated all of these complaints into a single action, and trial in this matter has been scheduled for June 18, 2018. On December 21, 2017, RMC filed a Motion for Summary Judgment and a hearing on such motion is scheduled for March 15, 2018. On December 6, 2017, MCWD filed a Motion for Judgment on the Pleadings and a hearing on such motion took place on February 2, 2018. On February 5, 2018, the court dismissed Cal Am's and MCWRA's tort law claims against MCWD, and allowed Cal Am leave to amend its breach of contract claims against MCWD. The court's decision does not impact Cal Am's and MCWRA's tort claims against RMC. Cal Am and MCWRA were given until February 19, 2018 to amend their breach of contract claims. Cal Am and MCWRA are considering their responses to the order, including an appeal to the California Court of Appeal.

Monterey Peninsula Water Supply Project

The Water Supply Project is intended to reduce water diversions from the Carmel River and involves construction of a desalination plant, owned by Cal Am, and purchase of water by Cal Am from a groundwater replenishment project (the "GWR Project") between the Monterey Regional Water Pollution Control Agency and the MPWMD. Cal Am's ability to move forward on the Water Supply Project is subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. On January 12, 2017, the CPUC issued a Draft Environmental Impact Report/ Environmental Impact Statement. A final report is expected at the end of the first quarter of 2018.

On September 15, 2016, the CPUC unanimously approved a decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated costs, subject to meeting certain criteria. If construction costs exceed $50 million, Cal Am would be allowed to seek additional cost recovery.

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the California Coastal Commission (the "Coastal Commission") approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. The permits would have expired on February 28, 2018, at which time Cal Am would have been required to decommission the test slant well, but because Cal Am could use the test slant well as one of the slant wells for the Water Supply Project, it sought an amendment of its coastal development permits to allow the test slant well to remain in place and be maintained on site until February 28, 2019. The Coastal Commission approved the permit amendment on December 13, 2017. The required lease obtained from the California State Lands Commission (the "State Lands Commission"), as amended, after a two-year extension granted on November 29, 2017, is to expire on December 16, 2019.

On July 13, 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property on which intake wells will be located to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record.

The CPUC held hearings from October 25 through November 3, 2017 on Cal Am's request for a certificate of public convenience and necessity for the Water Supply Project. This request remains pending.

In December 2014, the MCWD and the Ag Land Trust, an agricultural land conservancy, filed petitions against the Coastal Commission and Cal Am, which were ultimately transferred to the Santa Cruz County

Superior Court, seeking to vacate the Coastal Commission's approval of the coastal development permit and to permanently restrain Cal Am and the Coastal Commission from constructing the test slant well pending full compliance with the California Environmental Quality Act and the California Coastal Act. The court denied these petitions, and on January 11, 2017, the Supreme Court of California denied MCWD's petition for review of this decision. MCWD filed a similar petition in January 2015 against the State Lands Commission and Cal Am, which remains pending.

In November 2015, MCWD filed a Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief in Santa Cruz County Superior Court against the Coastal Commission and Cal Am challenging the amendment of the coastal development permits and seeking an injunction against further test well pumping. In September 2016, the court denied MCWD's petition with respect to all claims, except claims related to those raised in the December 2014 petitions discussed above. On October 3, 2017, after conducting a trial for all matters raised in MCWD's November 2015 challenge, other than claims that had been denied by the court in September 2016, the court denied MCWD's claims with respect to these matters. On January 12, 2018, MCWD filed a notice of appeal of the court's judgment.

Based on the foregoing, Cal Am estimates that the earliest date by which the Water Supply Project desalination plant could be completed is sometime in 2021. There can be no assurance that Cal Am's application for the Water Supply Project will be approved or that the Water Supply Project will be completed on a timely basis, if ever. Furthermore, there can be no assurance that Cal Am will be able to comply with the diversion reduction requirements and other remaining requirements under the 2009 Order and the 2016 Order, or that any such compliance will not result in material additional costs or obligations to Cal Am or the Company.

California Public Utilities Commission Residential Rate Design Proceeding

In December 2016, the CPUC issued a final decision in a proceeding involving Cal Am adopting a new residential rate design for Cal Am's Monterey District. The decision allowed for recovery by Cal Am of $32 million in under-collections in the water revenue adjustment mechanism/modified cost balancing account ("WRAM/MCBA") over a five-year period, plus interest, and modified existing conservation and rationing plans. In its decision, the CPUC noted concern regarding Cal Am's residential tariff administration, specifically regarding the lack of verification of customer-provided information about the number of residents per household. This information was used for generating billing determinants under the tiered rate system. As a result, the CPUC kept this proceeding open to address several issues, including whether Cal Am's residential tariff administration violated a statute, rule or CPUC decision, and if so, whether a penalty should be imposed.

On February 24, 2017, Cal Am, the MPWMD, the CPUC's Office of Ratepayer Advocates, and the Coalition of Peninsula Businesses filed for CPUC approval of a joint settlement agreement (the "Joint Settlement Agreement"), which among other things, proposed to resolve the CPUC's residential tariff administration concerns by providing for a waiver by Cal Am of $0.5 million of cost recovery for residential customers through the WRAM/MCBA in lieu of a penalty. Approval of the Joint Settlement Agreement, which is required for it to take effect, remains pending before the CPUC.

On March 28, 2017, the administrative law judge assigned to the proceeding issued a ruling stating there was sufficient evidence to conclude, on a preliminary basis, that Cal Am's administration of the residential tariff violated certain provisions of the California Public Utilities Code and a CPUC decision. The ruling ordered Cal Am to show cause why it should not be penalized for these administrative violations and directed the settling parties to address whether the cost recovery waiver in the Joint Settlement Agreement was reasonable compared to a potential penalty range described by the administrative law judge. During hearings held on April 13-14, 2017, the administrative law judge clarified that this potential penalty range is $3 million to $179 million (calculated as a continuing violation dating back to 2000 and applying penalties of up to $20,000 per day until January 1, 2012 and penalties of up to $50,000 per day thereafter, reflecting a 2012 change to the relevant statute). The administrative law judge also noted that a per diem penalty may not be appropriate, as Cal Am's

monthly billing practices did not allow Cal Am to update customer-provided information for billing purposes on a daily basis. Hearings before the administrative law judge in this matter were held in August, September and November 2017. Cal Am also submitted additional testimony on the issue of whether Cal Am should be penalized, and if so, the reasonable amount of any such penalty. This proceeding remains pending, and the CPUC has set a statutory deadline of September 30, 2018 for the completion of the proceeding.

West Virginia Elk River Freedom Industries Chemical Spill

Background

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol ("MCHM"), and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the WVAWC treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection, WVAWC took immediate steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a "Do Not Use" order for all of its approximately 93,000 customer accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC's customers were subject to the Do Not Use order.

Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company-affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, more than 70 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. In January 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed until April 22, 2018 pending the approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. The court in the Federal action has continued the start of the trial indefinitely pending ongoing settlement approval activities.

Proposed Global Class Action Settlement

In October 2016, the court in the Federal action approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle claims among the American Water Defendants, and all class members, putative class members, claimants and potential claimants, arising out of the Freedom Industries chemical spill. On April 27, 2017, the parties filed with the court in the Federal action a proposed settlement agreement providing details of the terms of the settlement of these matters and requesting that the court in the Federal action grant preliminary approval of such settlement. On July 6, 2017, the court in the Federal action issued an opinion denying without prejudice the joint motion for preliminary approval of the Settlement. On August 25, 2017, the parties filed a proposed amended settlement agreement and related materials addressing the matters set forth in the July 6, 2017 order.

On September 21, 2017, the court in the Federal action issued an order granting preliminary approval of a settlement class and proposed class action settlement (the "Settlement") with respect to claims against the American Water Defendants by all putative class members (collectively, the "Plaintiffs") for all claims and potential claims arising out of the Freedom Industries chemical spill. The Settlement proposes a global resolution of all federal and state litigation and potential claims against the American Water Defendants and their insurers. Under the terms and conditions of the Settlement and the proposed amended settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved. Under federal class action rules, claimants had the right, until

December 8, 2017, to elect to opt out of the final Settlement, in which case such claimant would not receive any benefit from or be bound by the terms of the Settlement. As of January 31, 2018, less than 100 of the 225,000 estimated putative Plaintiffs have submitted opt-out notices. The deadline to file a claim in the Settlement is February 21, 2018.

The proposed aggregate pre-tax amount of the Settlement with respect to the Company is $126 million. The aggregate portion of the Settlement to be contributed by WVAWC, net of insurance recoveries, is $43 million (approximately $26 million after-tax), taking into account the September 2017 settlement with one of the Company's general liability insurance carriers discussed below. Another defendant to the Settlement is to contribute up to $25 million to the Settlement. Two of the Company's general liability insurance carriers, which provide an aggregate of $50 million in insurance coverage to the Company under these policies, had been originally requested to participate in the Settlement at the time of the initial filing of the binding agreement in principle with the court in the Federal action, but did not agree to do so at that time. WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constituted a breach of contract. On September 19, 2017, the Company and the insurance carrier settled this lawsuit for $22 million, out of a maximum of $25 million in potential coverage under the terms of the relevant policy, in exchange for a full release by the Company and WVAWC of all claims against the insurance carrier related to the Freedom Industries chemical spill. WVAWC and the settling insurer have agreed to stay this litigation pending final approval of the Settlement. The Company and WVAWC continue to pursue vigorously their rights to insurance coverage for contributions by WVAWC to the Settlement in mandatory arbitration with the remaining non-participating carrier. This arbitration proceeding remains pending. Despite these efforts, the Company may not ultimately be successful in obtaining full or further reimbursement under this insurance policy for amounts that WVAWC may be required to contribute to the Settlement.

The proposed Settlement would establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76 million, of which $29 million will be contributed by WVAWC, including insurance deductibles, and $47 million would be contributed by two of the Company's general liability insurance carriers, and (ii) an individual review claim fund of up to $50 million, of which up to $14 million would be contributed by WVAWC and up to $36 million would be contributed by a number of the Company's general liability insurance carriers. Separately, up to $25 million would be contributed to the guaranteed fund by another defendant to the Settlement. If any final approval order by the court in the Federal action with respect to the Settlement is appealed and such appeal would delay potential payment to claimants under the Settlement, WVAWC and the other defendant to the Settlement will contribute up to $50 million and $25 million, respectively, to the Settlement (not including, in the case of WVAWC, any contributions by the Company's general liability insurance carriers which would not be made until such time as a final, non-appealable order is issued) into an escrow account during the pendency of such appeals. For certain claims, WVAWC and the other defendant to the Settlement may, in lieu of these escrowed contributions, make advance payments of such claims if agreed to by the parties. All administrative expenses of the Settlement and attorneys' fees of class counsel related thereto would be paid from the funds designated to pay claims covered by the Settlement.

As a result of these events, in the third quarter of 2016, the Company recorded a charge to earnings, net of insurance receivables, of $65 million ($39 million after-tax). Additionally, in the third quarter of 2017, the Company recorded a benefit of $22 million ($13 million after-tax) as an additional insurance receivable reflecting the settlement with the insurance carrier described above. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the PSC for approximately $4 million in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The $36 million to be contributed by a

number of the Company's general liability insurance carriers to the individual review claim fund, as noted above, is from higher layers of the insurance structure than the insurance carrier that was requested, but presently has not agreed, to participate in the Settlement. Any recovery by WVAWC or the Company from the remaining non-participating carrier would reimburse WVAWC for its contributions to the guaranteed fund.

Notice of the terms of the Settlement to members of the settlement class commenced on October 11, 2017. Following the notice period, on January 9, 2018, the court in the Federal action held a fairness hearing to consider final approval of the Settlement, which was continued on February 1, 2018 to address certain open matters. At this hearing, the court in the Federal action indicated that it intended to enter an order approving the Settlement, and the parties submitted a proposed order to the court on February 2, 2018.

There can be no assurance that the Settlement will not be amended further or that the court will provide its final approval as to any agreement negotiated between the parties reflecting the terms of the Settlement.

The American Water Defendants believe that WVAWC has responded appropriately to, and, other than through the Settlement, has no responsibility for, the Freedom Industries chemical spill, and that the American Water Defendants have valid, meritorious defenses to the lawsuits. Nevertheless, WVAWC and the Company are unable to predict the outcome of any lawsuit against the American Water Defendants brought or maintained by a claimant that has elected to opt out of the Settlement, and any such outcome or outcomes could have a material adverse effect on the Company's financial condition, results of operations, cash flows, liquidity and reputation.

Other Related Proceedings

Additionally, investigations were initiated with respect to the matter by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the PSC. As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act. The PSC issued an order on June 15, 2017 concluding its investigation without requiring WVAWC to take any further action with respect to the matters covered by the general investigation.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. In September 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. On April 4, 2017, the CSB indicated that the implementation by the Company of source water protection activities resolved the first two parts of the CSB's recommendation. The CSB also noted that compliance by the Company with the third part of its recommendation is ongoing and that closure of this part is contingent upon completion of updated contingency planning for the Company's water utilities outside of West Virginia. In light of public response to its original September 2016 investigation report, on May 11, 2017, the CSB issued a new version of this report. The primary substantive change addressed CSB's factual evaluation of the duration and volume of contamination from the leaking tank, decreasing its estimate of the leak time but increasing the volume estimate by 10%. No substantive changes were made to the conclusions and recommendations in the original report.

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the "public nuisance" it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a complaint in Lincoln County state court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public nuisance in Lincoln County. The complaint seeks an injunction against WVAWC that would require the creation

of various databases and public repositories of documents related to the Freedom Industries chemical spill, as well as further study and risk assessments regarding the alleged exposure of Lincoln County residents to the released chemicals. On June 12, 2017, the Mass Litigation Panel entered an order granting a motion to transfer this case to its jurisdiction and stayed the case consistent with the existing stay order. The LCC has elected to opt out of the Settlement. On January 26, 2018, the LCC filed a motion seeking to lift the stay imposed by the Mass Litigation Panel. This motion is pending. WVAWC believes that this lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

WVAWC and the Company are unable to predict the outcome of the ongoing government investigations or actions or any legislative initiatives that might affect WVAWC's water utility operations.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of WVAWC's West Relay pumping station located in the City of Dunbar. The failure of the main caused water outages and low pressure to up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was completed safely on June 30, 2015. Water service was fully restored on July 1, 2015 to all customers affected by this event.

On June 2, 2017, a class action complaint was filed in West Virginia Circuit Court in Kanawha County against WVAWC on behalf of a purported class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. On October 12, 2017, WVAWC filed with the court a motion seeking to dismiss all of the plaintiffs' counts alleging statutory and common law tort claims. Furthermore, WVAWC asserts that the PSC, and not the court, has primary jurisdiction over allegations involving violations of the applicable tariff, the public utility code and related rules. This motion remains pending.

Contract Operations Group—East Palo Alto Water System Voluntary Report

On April 10, 2017, AWE, the parent entity of the Company's Contract Operations Group, voluntarily reported to the Division of Drinking Water of the SWRCB potential violations of the California Safe Drinking Water Act (the "CSDWA") in connection with AWE's operation of the City of East Palo Alto's water distribution system. Upon the resignation of the system's general manager in March 2017, AWE discovered that it may have operated the system without a properly certified operator for two years, the triennial LCR sampling was not completed, and the 2015 Consumer Confidence Report improperly reported data for lead and copper samples from the system's upstream water provider. Promptly after discovering these issues, AWE engaged an outside law firm to conduct an internal investigation and has reported the results of that investigation to the SWRCB.

On June 15, 2017, the SWRCB issued to AWE a citation that required AWE to, among other things: comply with regulations related to water operator certifications, lead and copper tap sampling requirements and the

publishing of a Consumer Confidence Report; provide public notification of the LCR violation; and prepare a corrective action plan to evaluate the causes leading to these incidents and measures to be taken to prevent recurrence of future incidents. The citation did not impose on AWE any monetary penalties, but the SWRCB reserved the right to take additional enforcement action.

By letter dated October 4, 2017, the SWRCB advised AWE that it is in compliance with all of the directives and relevant statutory and administrative provisions specified in the SWRCB's June 15, 2017 citation. While AWE has completed all required compliance activities with respect to the citation, the SWRCB has previously reserved the right to take additional enforcement action. In February 2018, the SWRCB referred this matter to the San Mateo County, California District Attorney's office for further investigation. AWE continues to cooperate with the SWRCB, the City of East Palo Alto and the San Mateo County District Attorney regarding this matter. Proven violations of the CSDWA may result in civil and criminal penalties.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 23, 2008, our common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." The following table summarizes the per share range of the high and low intraday sales prices of our common stock as reported on the NYSE and the per share cash dividends paid and declared:

2017	Intraday Market Prices High	Intraday Market Prices Low	Per Share Dividends Paid	Per Share Dividends Declared (a)
Fourth Quarter	$ 92.37	$ 80.89	$ 0.415	$ 0.83
Third Quarter	83.14	77.36	0.415	0.415
Second Quarter	82.89	74.63	0.415	0.415
First Quarter	78.73	69.96	0.375	—

2016	Intraday Market Prices High	Intraday Market Prices Low	Per Share Dividends Paid	Per Share Dividends Declared (a)
Fourth Quarter	$ 76.12	$ 69.41	$ 0.375	$ 0.75
Third Quarter	85.24	72.12	0.375	0.375
Second Quarter	84.54	68.09	0.375	0.375
First Quarter	70.10	58.90	0.34	—

(a) Dividends declared during the three months ended December 31, 2017 and 2016, include quarterly dividends payable December 1 and March 1.

As of February 15, 2018, there were 178,551,923 shares of common stock outstanding held by approximately 2,644 record holders. Holders of our common stock are entitled to receive dividends when they are declared by our Board of Directors. When dividends on common stock are declared, they are typically paid in March, June, September and December. Future dividends are not guaranteed by the Company and will be dependent on future earnings, financial requirements, contractual provisions of debt agreements and other relevant factors. For more information regarding restrictions on the payment of dividends on our common stock, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends.

In February 2015, our Board of Directors authorized an anti-dilutive common stock repurchase program to mitigate the dilutive effect of shares issued through our dividend reinvestment, employee stock purchase and executive compensation activities. The program allows us to purchase up to 10 million shares of our outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and to facilitate these repurchases, we enter into Rule 10b5-1 share repurchase plans with a third party broker, which allow us to repurchase shares at times when we may otherwise be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, we may elect to amend or cancel the program or share repurchase parameters at our discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2017, the Company repurchased an aggregate of 3,950,000 shares of common stock under the program, including 700,000 shares repurchased during the first half of 2017. There were no repurchases of common stock in the last half of 2017.

ITEM 6. SELECTED FINANCIAL DATA

(In millions, except per share data)	For the Years Ended December 31, 2017	2016	2015	2014	2013
Statement of Operations data:					
Operating revenues	$ 3,357	$ 3,302	$ 3,159	$ 3,011	$ 2,879
Income from continuing operations (a)	426	468	476	430	371
Income from continuing operations per basic common share (a)	$ 2.39	$ 2.63	$ 2.66	$ 2.40	$ 2.08
Income from continuing operations per diluted common share (a)	2.38	2.62	2.64	2.39	2.07
Balance Sheet data:					
Total assets (b) (c)	$19,482	$18,482	$17,241	$16,038	$15,064
Long-term debt and redeemable preferred stock at redemption value (b)	6,498	5,759	5,874	5,442	5,225
Other data:					
Cash dividends declared per common share	$ 1.66	$ 1.50	$ 1.36	$ 1.24	$ 1.12
Net cash provided by operating activities (d) (e) (f)	1,449	1,289	1,195	1,122	956
Net cash used in investing activities (f)	(1,672)	(1,590)	(1,459)	(1,029)	(1,068)
Net cash provided by (used in) financing activities (d) (e) (f)	207	328	290	(104)	104
Capital expenditures included in net cash used in investing activities	(1,434)	(1,311)	(1,160)	(956)	(980)

(a) In November 2014, we disposed of our Class B Biosolids operating segment by selling our subsidiary, Terratec Environmental Ltd ("Terratec") in Ontario, Canada. The results of Terratec are presented as discontinued operations and, as such, have been excluded from Income from continuing operations for the years ended December 31, 2014 and 2013.

(b) The information for the years ended December 31, 2014 and 2013, has been revised to reflect the retrospective application of Accounting Standard Update 2015-15, Presentation of Debt Issuance Costs, which was adopted by the Company as of December 31, 2015.

(c) The information for the years ended December 31, 2014 and 2013, has been revised to reflect the retrospective application of Accounting Standard Update 2015-17, Income Taxes, which was adopted by the Company as of December 31, 2015.

(d) The information for the years ended December 31, 2016, 2015, 2014 and 2013, has been revised to reflect the retrospective application of Accounting Standard Update 2016-09, Improvements to Employee Share-Based Payment Accounting, which was adopted by the Company as of January 1, 2017.

(e) The information for the year ended December 31, 2013, has been revised to reflect the retrospective application of Accounting Standard Update 2016-15, Classification of Certain Cash Receipts and Cash Payments, which was adopted by the Company as of December 31, 2017.

(f) The information for the years ended December 31, 2016, 2015, 2014 and 2013, has been revised to reflect the retrospective application of Accounting Standard Update 2016-18, Statement of Cash Flows (Topic 230)—Restricted Cash, which was adopted by the Company as of December 31, 2017.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the notes thereto included elsewhere in this Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those we discuss under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. We employ approximately 6,900 professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in 46 states, the District of Columbia and Ontario, Canada. Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as our "Regulated Businesses." Our utilities operate in 16 states and serve approximately 3.4 million customers, based on the number of active service connections to our water and wastewater networks. Our Regulated Businesses are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation, collectively referred to as PUCs. We also operate market-based businesses within four operating segments, providing a broad range of related and complementary water and wastewater services to military bases, municipalities, oil and gas exploration and production companies, as well as commercial, industrial and residential customers. Individually, these four operating segments do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented as our Market-Based Businesses, which is consistent with how management assesses the results of these businesses.

2017 Financial Results

The following table provides highlights of our diluted earnings per share and our adjusted diluted earnings per share (a non-GAAP measure):

	For the Years Ended December 31,		
	2017	2016	2015
Diluted earnings per share (GAAP):			
Net income attributable to common stockholders	$ 2.38	$ 2.62	$ 2.64
Non-GAAP adjustments:			
Impact of Freedom Industries settlement activities	(0.12)	0.36	—
Income tax impact	0.05	(0.14)	—
Net non-GAAP adjustment	(0.07)	0.22	—
Early extinguishment of debt at the parent company	0.03	—	—
Income tax impact	(0.01)	—	—
Net non-GAAP adjustment	0.02	—	—
Impact of re-measurement from the Tax Cuts and Jobs Act	0.70	—	—
Total net non-GAAP adjustments	0.65	0.22	—
Adjusted diluted earnings per share (non-GAAP)	$ 3.03	$ 2.84	$ 2.64

For the year ended December 31, 2017, net income attributable to common stockholders was $2.38 per diluted share, a decrease of $0.24 per diluted share, or 9.2%, as compared to the prior year. Included in the 2017 amount was: (i) an after-tax benefit of $13 million, or $0.07 per diluted share, resulting from an insurance settlement with one of our general liability insurance carriers related to the Freedom Industries chemical spill; (ii) an after-tax charge of $4 million, or $(0.02) per diluted share, resulting from the early extinguishment of debt at the parent company; and (iii) a non-cash, after-tax re-measurement charge of $125 million, or $0.70 per diluted share, resulting from the impact of the change in the federal tax rate on the Company's deferred income taxes from the enactment of the TCJA on December 22, 2017. Included in the 2016 amounts was an after-tax charge of $39 million, or $(0.22) per diluted share, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill. For additional information, see Item 3—Legal Proceedings—West Virginia Elk River Freedom Industries Chemical Spill.

Excluding these items, adjusted diluted earnings per share (a non-GAAP measure) was $3.03 for the year ended December 31, 2017, an increase of $0.19 per diluted share, or 6.7%, as compared to the prior year. This increase was primarily due to continued growth in our Regulated Businesses, largely driven by infrastructure investment, acquisitions and organic growth, combined with growth in our Market-Based Businesses from our Homeowner Services Group and Keystone. These increases were partially offset by lower water services demand in 2017 in our Regulated Businesses, attributable in part to overall warmer weather in 2016, as well as lower capital upgrades in our Military Services Group. For further discussion of our consolidated results of operations, as well as financial results for our Regulated Businesses segment and our Market-Based Businesses, see "Consolidated Results of Operations" and "Segment Results of Operations" for additional information.

Adjusted diluted earnings per share represents a non-GAAP financial measure and means diluted earnings per share, calculated in accordance with GAAP, excluding the impact of: (i) the third quarter of 2017 insurance settlement related to the Freedom Industries chemical spill; (ii) the early extinguishment of debt at the parent company in the third quarter of 2017; (iii) the non-cash, after-tax re-measurement charge in the fourth quarter of 2017 resulting from the impact of the change in the federal tax rate on the Company's deferred income taxes from enactment of the TCJA; and (iv) the fourth quarter of 2016 binding global agreement in principle to settle claims related to the Freedom Industries chemical spill. We believe that this non-GAAP measure provides investors with useful information by excluding certain matters that may not be indicative of our ongoing operating results, and that providing this non-GAAP measure will allow investors to understand better our businesses' operating performance and facilitate a meaningful year-to-year comparison of our results of operations. Although management uses this non-GAAP financial measure internally to evaluate our results of operations, we do not intend results excluding the adjustments to represent results as defined by GAAP, and the reader should not consider them as indicators of performance. This non-GAAP financial measure is derived from our consolidated financial information but is not presented in our financial statements prepared in accordance with GAAP, and thus it should be considered in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP. In addition, this non-GAAP financial measure as defined and used above may not be comparable to similarly titled non-GAAP measures used by other companies, and, accordingly, it may have significant limitations on its use.

Strategic Focus and 2017 Achievements

We believe our success in the future will be driven by engaged employees, smart investments and safe, efficient operations, leading to satisfied customers which in turn will lead to constructive regulatory outcomes and sustainable financial performance. Our strategy, which is driven by our vision and core values, will continue to be anchored on our five central themes:

- Customer—Our customers are at the center of everything we do. We want to be the best, and if our customers have a choice as to who serves them, we want it to be us.

- In 2017, we:
  - achieved both a customer satisfaction rating and a service quality rating in the top quartile among our water industry peers;
  - expanded our customer experience initiative, designed to make it easier for customers to do business with us, and enhanced our quality of service through implementation and upgrades of technology tools; and
  - continued to make needed infrastructure investment while implementing operational efficiency improvements to keep customer rates affordable.
- Looking forward, we will:
  - target the achievement of customer satisfaction and service quality targets in the top quartile of service industries, beyond the water and wastewater industry. We have a three year plan to enhance technology and innovation in our customer experience through: (i) leveraging secure artificial intelligence to better serve our customers; (ii) using on-line customer communities for immediate input and reactions before rolling out programs; and (iii) mapping our most frequent customer interactions and re-working our internal processes to how the customer wants services; and
  - aim for top quartile targets for drinking water quality and being an industry leader in system resiliency and environmental stewardship. We intend to continue to make needed infrastructure investments while implementing operational efficiency improvements to help keep customer rates affordable.

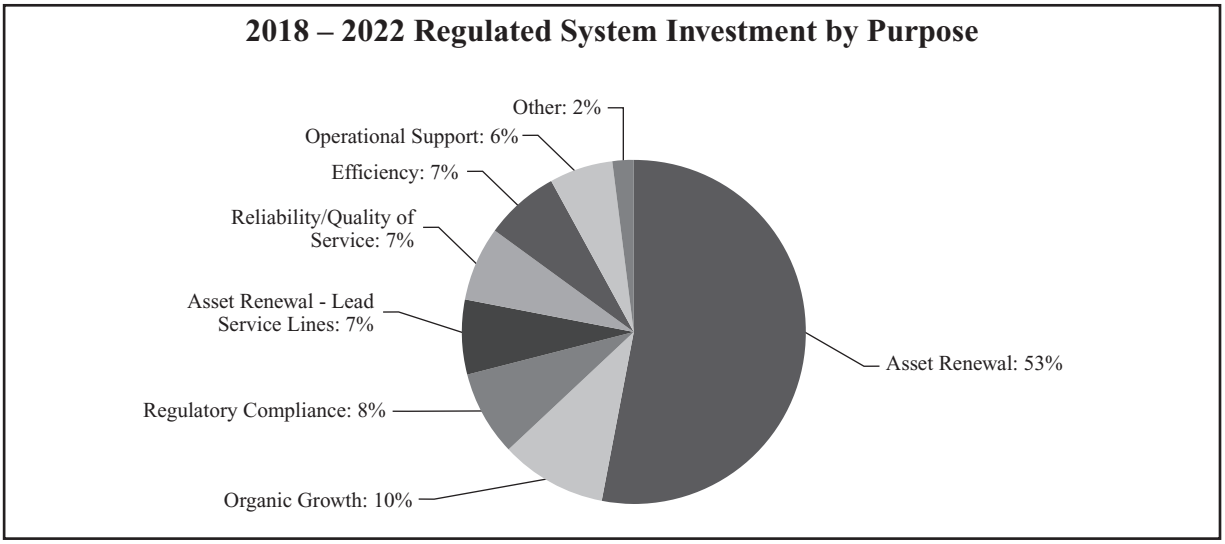
- Safety—Safety is both a strategy and a value at American Water. We put safety first in everything that we do.
  - In 2017, we:
    - finished the year with fewer employee injuries than the prior year and exceeded our targeted results for our Occupational Safety and Health Administration recordable incident rate and our Days Away Restricted or Transferred rate; and
    - strengthened our safety culture as measured by employee responses to safety-related questions in the Company's culture survey, and scored 13 points above "High Performing Companies" in the category of safety, as measured by CEB, Inc. Our safety council, consisting of management and labor employees from across the Company, continued its mission of developing and implementing recommendations to reinforce the Company's commitment to safety.
  - Looking forward, we will:
    - strive toward zero workplace injuries;
    - focus on requiring that the contractors that perform work for the Company are approved in accordance with the Contractor Safety Qualification Practice and are held to the same standards as our employees; and
    - continue our focus on "near miss reporting," to promote continuous learning and corrective action regarding potential safety hazards.
- People—We are building a diverse, fully-engaged, high performance workforce and culture and creating an environment where our people feel valued, included and accountable.
  - In 2017, we continued to demonstrate our commitment to employees by expanding training and development across the Company, with the vast majority of our employees completing at least 20 hours of training during 2017. We also added new Respect and Diversity training to strengthen our values-based culture.

- Looking forward, we will continue to:
  - improve the diversity of our overall employee population, reflective of our customers and communities;
  - implement a strategic workforce plan which will address the changing requirements of our business and our jobs, and how we will fill those critical positions throughout the Company to promote continuity and help us to meet future operational needs; and
  - dedicate ourselves to personal development through effective training and development plans.

- Growth—We expect to continue to grow our businesses, with the significant majority of our growth to be achieved in our Regulated Businesses through: (i) continued investment in infrastructure to provide safe, clean, reliable and affordable water and wastewater services to our customers; and (ii) regulated acquisitions to expand our services to new customers. We also expect to continue to grow our Market-Based Businesses, which leverage our core water and wastewater competencies.
  - In 2017, we invested $1.7 billion, a record level of annual investment since the Company went public in 2008, and $200 million more than 2016, which had previously been a record year for investment. Our 2017 investment included:
    - $1.4 billion, of which the majority was in our Regulated Businesses for infrastructure replacements and improvements; and
    - $210 million to fund acquisitions in our Regulated Businesses, which added approximately 40,000 water and wastewater customers, including bulk customers, highlighted by the:
      - April 3, 2017 acquisition of Shorelands Water Company, Inc. (“Shorelands”) in a stock transaction for $33 million in the form of 438,211 shares of our common stock. Shorelands, which is now a part of our New Jersey subsidiary, provides water service to approximately 11,000 customers in Monmouth County, New Jersey; and the
      - December 18, 2017 acquisition of the McKeesport system for $159 million. This acquisition was the first acquisition executed under Pennsylvania’s Act 12 of 2016, which allows municipalities to sell water and wastewater systems for a price based upon the fair market value of the system. Under Act 12, the rate base for this acquisition was approved at $158 million. The McKeesport system, which is now part of our Pennsylvania subsidiary, represents approximately 22,000 customers; comprised of 11,000 customer connections, as well as service to an additional 11,000 customers under bulk contracts to 13 municipalities in Allegheny County, Pennsylvania.
    - On September 29, 2017, our Military Services Group was awarded a contract for ownership, operation and maintenance of the water and wastewater systems at Wright-Patterson Air Force Base, the largest single-site employer in the state of Ohio. The contract award includes estimated revenues of approximately $490 million over a 50-year period, subject to an annual economic price adjustment. In the fourth quarter of 2017, a bid protest was filed on this contract by an unsuccessful bidder. In January 2018, the bid protest was sustained because a required element of the solicitation was not properly considered. The protester’s bid proposal will be re-evaluated, and we believe that the contract previously awarded to our Military Services Group will be reinstated.
  - Looking forward, we expect to invest between $8.0 billion to $8.6 billion from 2018 to 2022, including a range of $1.6 billion to $1.8 billion in 2018. Our expected future investment includes:
    - capital investment for infrastructure improvements in our Regulated Businesses of $7.2 billion over the next five years, including a range of $1.4 billion to $1.5 billion expected in 2018;

- growth from acquisitions in our Regulated Businesses to expand our water and wastewater customer base of between $600 million to $1.2 billion over the next five years, including a range of $120 million to $240 million expected in 2018; and
- strategic capital investments of approximately $200 million over the next five years, including approximately $100 million expected in 2018. These investments include strategic growth opportunities in our Market-Based Businesses and the construction of our new corporate headquarters in Camden, New Jersey, which is expected to be completed during the second half of 2018 and is eligible for up to $164 million in tax credits from New Jersey's Economic Development Authority.

The following chart depicts the estimated allocation of our expected capital investment for infrastructure improvements in our Regulated Businesses from 2018 to 2022, by purpose:



- Technology and Operational Efficiency—We continue to strive for industry-leading operational efficiency, driven by technology. Our technology investments are aimed at enhancing our customer experience and operational efficiency.
  - In 2017:
    - our Regulated Businesses achieved an adjusted O&M efficiency ratio (a non-GAAP measure) of 33.8% for the year ended December 31, 2017, compared to 34.9% and 35.9% for the years ended December 31, 2016 and 2015, respectively. The continued improvement in our adjusted O&M efficiency ratio in 2017 was attributable to both an increase in operating revenues and a decrease in O&M expenses (see the following table). The improvement in the 2016 adjusted O&M efficiency ratio over the 2015 ratio was primarily attributable to an increase in operating revenues;
    - we introduced new tools such as FSR Customer One View, which provides our employees with information such as neighborhood maps, customer usage data, billing and payment history, and real-time meter reads; and MapCall, which helps to manage location based assets such as hydrants, valves, meters, among others; along with implementing technology upgrades to our national customer services, focused on helping us improve customer service;
    - we continued our commitment to water quality and the environment by leveraging new technologies; we now have advanced water quality sensors at all of our major drinking water intake sites and we are automating our reporting and compliance systems; and

- we implemented other technology tools that will enhance communication, collaboration and mobility to help our operations and support employees work more safely and efficiently, and enhance the customer experience.

- Looking forward, we will focus on technology and efficiency to:
  - be the leader in optimizing technology deployment across the water and wastewater industry, with a keen focus on specific, innovative projects that will set us apart from other utilities, and to help us serve our customers with greater ease, make us safer and help us operate more efficiently; and
  - achieve our goal of an adjusted O&M efficiency ratio equal to or below 32.0% by 2022.

Our adjusted O&M efficiency ratio is defined as our regulated operation and maintenance expenses divided by our regulated operating revenues, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Additionally, from operation and maintenance expenses, we have excluded the allocable portion of non-operation and maintenance support services costs, mainly depreciation and general taxes, that are reflected in our Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, are categorized within other line items in the accompanying Consolidated Statements of Operations. For the years ended December 31, 2017 and 2016, we have also excluded from operation and maintenance expenses the impact of certain Freedom Industries chemical spill settlement activities. We excluded all of the above items from the calculation as we believe such items are not reflective of management's ability to increase efficiency of our regulated operations. Going forward, we expect changes to our adjusted O&M efficiency ratio related to the impact of the enactment of the TCJA and the adoption of new accounting standards in the future.

We evaluate our operating performance using this ratio because we believe it directly measures improvement in the efficiency of our regulated operations. This information is intended to enhance an investor's overall understanding of our operating performance. Our adjusted O&M efficiency ratio is not a GAAP financial measure and may not be comparable to other companies' operating measures, and should not be used in place of the GAAP information provided elsewhere in this Form 10-K.

With respect to our adjusted O&M efficiency ratio goal for 2022, we are unable to provide without unreasonable efforts a quantitative reconciliation of each component of this ratio to the most comparable financial measure calculated in accordance with GAAP. In calculating the components of the ratio, certain items that may ultimately be excluded would be reflective of events that cannot be reasonably predicted at this time. The unavailable information would include, among other things, the impact of items currently excluded from the calculation of the components, adjustments for weather conditions that exceed a certain threshold of variability and adjustments for events or circumstances that may not be reflective of ongoing operating results. The probable significance of these items is also presently unknown and cannot be reasonably estimated.

The following table provides the calculation of our adjusted O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of our adjusted O&M efficiency ratio:

	For the Years Ended December 31,		
	2017	2016	2015
(Dollars in millions)			
Total operation and maintenance expenses	$ 1,378	$ 1,504	$ 1,404
Less:			
Operation and maintenance expenses—Market-Based Businesses	337	372	358
Operation and maintenance expenses—Other	(50)	(44)	(49)
Total operation and maintenance expenses—Regulated Businesses	1,091	1,176	1,095
Less:			
Regulated purchased water expenses	128	122	117
Allocation of non-operation and maintenance expenses	29	30	35
Impact of Freedom Industries settlement activities (a)	(22)	65	—
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 956	$ 959	$ 943
Total operating revenues	$ 3,357	$ 3,302	$ 3,159
Less:			
Operating revenues—Market-Based Businesses	422	451	434
Operating revenues—Other	(23)	(20)	(18)
Total operating revenues—Regulated Businesses	2,958	2,871	2,743
Less:			
Regulated purchased water revenues (b)	128	122	117
Adjusted operating revenues—Regulated Businesses (ii)	$ 2,830	$ 2,749	$ 2,626
Adjusted O&M efficiency ratio—Regulated Businesses (i)/(ii)	33.8%	34.9%	35.9%

(a) Includes the impact of the binding global agreement in principle to settle claims in 2016 and a settlement with one of our general liability insurance carriers in 2017.

(b) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

The following table provides general rate case authorizations effective from 2015 through 2017, and depicts annualized incremental revenues assuming a constant water sales volume:

(In millions)	2017	2016	2015
General rate case authorizations by state:			
New York (effective June 1, 2017)	$ 4	$ —	$ —
Virginia (a)	5	—	—
Iowa (effective March 27, 2017)	4	—	—
California (b)	5	2	5
Illinois (effective January 1, 2017)	25	—	—
Kentucky (effective August 28, 2016)	—	7	—
Missouri (effective July 20, 2016 and July 22, 2016)	—	5	—
West Virginia (effective February 25, 2016)	—	18	—
Indiana (effective January 29, 2016 and January 29, 2015)	—	2	5
New Jersey (effective September 21, 2015)	—	—	22
Other	—	—	1
Total general rate case authorizations	$ 43	$ 34	$ 33

(a) The effective date of the rate order was May 24, 2017, authorizing the implementation of interim rates as of April 1, 2016.
(b) Step rates for 2017 effective January 13, 2017 through February 2, 2017. Step rates for 2016 and 2015 effective January 1, 2016 and January 1, 2015, respectively.

On December 7, 2017, a settlement in our Pennsylvania subsidiary's general rate case filing was approved authorizing additional annualized revenues of $62 million, effective on January 1, 2018.

Pending General Rate Case and Cost of Capital Filings

On September 15, 2017, our New Jersey subsidiary filed a general rate case requesting $129 million in additional annualized water and wastewater revenues.

On June 30, 2017, our Missouri subsidiary filed a general rate case requesting $84 million in additional annualized water and wastewater revenues.

On April 3, 2017, our California subsidiary filed an application requesting a cost of capital of 8.49%, compared to 8.41% currently authorized. On February 6, 2018, a proposed decision was issued by the administrative law judge and we plan to work through the regulatory process with the CPUC over the next several months.

During the third quarter of 2016, our California subsidiary filed a general rate case requesting $35 million in additional annualized revenues and an increase of $8 million in the escalation year of 2019 and the attrition year of 2020. During the fourth quarter of 2016, our California subsidiary filed an update to its general rate case, adjusting its request for additional annualized revenues to $32 million and increasing its request to $9 million in the escalation year of 2019.

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure.

The following table provides infrastructure surcharge authorizations effective from 2015 through 2017, and depicts annualized incremental revenues assuming a constant water sales volume:

(In millions)	2017	2016	2015
Infrastructure surcharge authorizations by state:			
Missouri (effective December 15, 2017 and June 27, 2015)	$ 6	$ —	$ 2
New Jersey (a)	14	19	9
Indiana (effective March 22, 2017 and May 4, 2016)	8	3	—
Tennessee (effective March 14, 2017, March 15, 2016 and June 29, 2015)	2	2	2
Pennsylvania (b)	1	28	14
West Virginia (effective January 1, 2017)	2	—	—
Illinois (c)	—	7	6
New York (effective December 1, 2015)	—	—	1
Total infrastructure surcharge authorizations	$ 33	$ 59	$ 34

(a) For 2017, $10 million effective June 1 and $4 million effective December 10. For 2016, $9 million effective June 1 and $10 million effective December 1. For 2015, $9 million effective January 1.

(b) For 2017, $1 million effective January 1 (the infrastructure surcharge cap was reached after the first quarter of 2017). For 2016, $11 million, $2 million, $6 million and $9 million effective January 1, April 1, July 1 and October 1, respectively. For 2015, $2 million, $4 million and $8 million effective April 1, July 1 and October 1, respectively.

(c) For 2016, $1 million effective January 1 and $6 million effective August 1. For 2015, $5 million effective January 1 and $1 million effective February 1.

On December 28, 2017, our West Virginia subsidiary received a decision on its infrastructure surcharge filing authorizing additional annualized revenues of $3 million, effective on January 1, 2018. Additionally, on December 20, 2017, our Illinois subsidiary filed for an infrastructure surcharge requesting $3 million in additional annualized revenues, which will become effective on January 1, 2018.

There is no assurance that all or any portion of these requests will be granted.

Pending Infrastructure Surcharge Filings

The following table details of our pending infrastructure surcharge filings:

(In millions)	Date Filed	Amount
Pending infrastructure surcharge filings by state:		
Indiana	January 18, 2018	$ 7
Tennessee	November 7, 2017	2
Virginia	October 31, 2017	1
Total pending infrastructure surcharge filings		$ 10

There is no assurance that all or any portion of these requests will be granted.

Other Regulatory Matters

On August 4, 2017, our Illinois subsidiary filed a petition with the Illinois Commerce Commission ("ICC") to place into effect, revised depreciation rates applicable to our depreciable water and wastewater plant, resulting from a new depreciation study. The petition requested that these new rates would be effective January 1, 2017. On November 21, 2017, the ICC approved this petition, which resulted in lower depreciation expense of $16 million in 2017.

Tax Matters

Tax Cuts and Jobs Act

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the maximum U.S. federal corporate income tax rate from 35% to 21% as of January 1, 2018, and certain other provisions related specifically to the public utility industry, including continuation of interest expense deductibility, the exclusion from utilizing bonus depreciation and the normalization of deferred income tax. The enactment of the TCJA required a re-measurement of our deferred income taxes that materially impacted our 2017 results of operations and financial position. The portion of this re-measurement related to our Regulated Businesses was substantially offset by a regulatory liability, as we believe it is probable that the deferred income tax excesses created by the TCJA will be refunded to customers in future rates. The remaining portion of this re-measurement of the net deferred income tax liability was recorded as a non-cash charge to earnings of $125 million during the fourth quarter of 2017.

Other Tax Matters

On April 11, 2017, the state of New York enacted legislation that increased the state income tax rate on our taxable income attributable to New York. This legislation eliminated the production of water as a qualified manufacturing activity in New York, which effectively increased the state income tax rate in New York. As a result of the legislative change, we were required to re-measure our cumulative deferred income tax balances using the higher state income tax rate in the second quarter of 2017. This change in legislation was the primary cause of an increase to our unitary deferred income tax liability of $11 million. The portion of this increase related to our New York subsidiary calculated on a stand-alone basis was $7 million, and was offset by a regulatory asset, as we believe it is probable of recovery in future rates. The remaining increase in the deferred income tax liability was calculated through state tax apportionment rates and recorded at the consolidated level, resulting in a non-cash, cumulative charge to earnings of $4 million during the second quarter of 2017.

On July 7, 2017, the State of Illinois enacted legislation that increased, effective July 1, 2017, the state income tax rate on our taxable income attributable to Illinois from 7.75% to 9.5%. As a result of the legislative change, we were required to re-measure our cumulative deferred income tax balances using the higher state income tax rate in the third quarter of 2017. This change in legislation was the primary cause of an increase to our unitary deferred income tax liability of $7 million. The portion of this increase related to our Illinois subsidiary calculated on a stand-alone basis was $4 million, and was offset by a regulatory asset, as we believe it is probable of recovery in future rates. The remaining increase in the deferred income tax liability was recorded at the consolidated level, resulting in a non-cash, cumulative charge to earnings of $3 million during the third quarter of 2017.

Consolidated Results of Operations

The following table presents our consolidated results of operations and the ensuing discussions provide explanations for the variances related to the major components:

(Dollars in millions)	For the Years Ended December 31, 2017	2016	2015	Increase (Decrease) 2017 vs. 2016 $	%	Increase (Decrease) 2016 vs. 2015 $	%
Operating revenues	$ 3,357	$ 3,302	$ 3,159	$ 55	1.7	$ 143	4.5
Operating expenses:							
Operation and maintenance	1,378	1,504	1,404	(126)	(8.4)	100	7.1
Depreciation and amortization	492	470	440	22	4.7	30	6.8
General taxes	259	258	243	1	0.4	15	6.2
Gain on asset dispositions and purchases	(16)	(10)	(3)	(6)	60.0	(7)	233.3
Total operating expenses, net	2,113	2,222	2,084	(109)	(4.9)	138	6.6
Operating income	1,244	1,080	1,075	164	15.2	5	0.5
Other income (expense):							
Interest, net	(342)	(325)	(308)	(17)	5.2	(17)	5.5
Loss on early extinguishment of debt	(7)	—	—	(7)	100.0	—	—
Other, net	17	15	15	2	13.3	—	—
Total other income (expense)	(332)	(310)	(293)	(22)	7.1	(17)	5.8
Income before income taxes	912	770	782	142	18.4	(12)	(1.5)
Provision for income taxes	486	302	306	184	60.9	(4)	(1.3)
Net income attributable to common stockholders	$ 426	$ 468	$ 476	$ (42)	(9.0)	$ (8)	(1.7)

Operating Revenues

In 2017, operating revenues increased $55 million, or 1.7%, primarily due to a:

- $87 million increase in our Regulated Businesses principally due to authorized rate increases to fund infrastructure investment growth, as well as acquisitions and organic growth, offset in part by lower water services demand in 2017, including a $15 million reduction due to warmer weather in 2016; partially offset by a
- $29 million decrease in our Market-Based Businesses mainly due to lower capital upgrades in our Military Services Group, driven largely by reduced military base budgets, offset in part by incremental revenues in our Homeowner Services Group from contract growth and price increases, and in Keystone from an increase in operations as a result of market recovery in the natural gas industry.

In 2016, operating revenues increased $143 million, or 4.5%, primarily due to a:

- $128 million increase in our Regulated Businesses principally due to authorized rate increases to fund infrastructure investment growth, as well as acquisitions and organic growth; and a
- $17 million increase in our Market-Based Businesses mainly due to our acquisition of Keystone in the third quarter of 2015 and incremental revenues from our Homeowner Services and Contract Operations Groups from contract growth, partially offset by lower capital upgrades in our Military Services Group.

Operation and Maintenance

In 2017, operation and maintenance expense decreased $126 million, or 8.4%, primarily due to a:

- $85 million decrease in our Regulated Businesses principally due to a $65 million net charge recorded in 2016, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia, and a $22 million benefit recorded in 2017, resulting from a related insurance settlement with one of our general liability insurance carriers; and a
- $35 million decrease in our Market-Based Businesses mainly due to lower capital upgrades in our Military Services Group, as discussed above, partially offset by higher employee-related costs from growth in Keystone and increased customer uncollectible expense in Homeowner Services from contract growth during 2017.

In 2016, operation and maintenance expense increased $100 million, or 7.1%, primarily due to a:

- $81 million increase in our Regulated Businesses principally due to a $65 million charge recorded in 2016, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia, as well as higher employee-related costs and litigation expenses, partially offset by lower casualty insurance and customer uncollectible expense; and an
- $14 million increase in our Market-Based Businesses which included $11 million from our acquisition of Keystone in the third quarter of 2015, as well as incremental costs associated with growth in our Homeowner Services and Contract Operations Group, partially offset by lower capital upgrades in our Military Services Group, as discussed above.

Depreciation and Amortization

In 2017 and 2016, depreciation and amortization expense increased $22 million and $30 million, or 4.7% and 6.8%, respectively. The increase for both periods was primarily due to additional utility plant placed in service. Included in 2017 was the impact of revised depreciation rates from a depreciation study approved by the ICC in our Illinois subsidiary, resulting in lower depreciation expense of $16 million. Included in 2016 was incremental depreciation and amortization expense resulting from our acquisition of Keystone in the third quarter of 2015.

General Taxes

In 2017 and 2016, general taxes increased $1 million and $15 million, or 0.4% and 6.2%, respectively. The increase in 2016 was primarily due to incremental property and gross receipts taxes in our Regulated Businesses.

Gain on Asset Dispositions and Purchases

In 2017 and 2016, gain on asset dispositions and purchases increased $6 million and $7 million, or 60.0% and 233.3%, respectively. The increase in 2017 was primarily due to a $7 million gain recognized on a land sale in our Kentucky subsidiary. The increase in 2016 was largely attributable to a gains recognized on a land sale in our Pennsylvania subsidiary and an acquisition in our Missouri subsidiary.

Other Income (Expense)

In 2017 and 2016, other expenses increased $22 million and $17 million, or 7.1% and 5.8%, respectively. The increase in 2017 was primarily due to an increase in interest expense from the issuance of incremental long-term debt in 2017 and the fourth quarter of 2016, as well as a $6 million charge resulting from the early extinguishment of debt at the parent company. The increase in 2016 was largely attributable to an increase in

interest expense from the issuance of incremental long-term debt, as well as an increase in short-term interest expense, mainly due to higher levels of short-term borrowings during 2016, coupled with an increase in the average short-term borrowing rates in 2016, as compared to the prior year.

Provision for Income Taxes

In 2017, our provision for income taxes increased by $184 million, or 60.9%, from the previous year. The increase is primarily due to higher pretax income and a non-cash, after-tax re-measurement charge of $125 million, resulting from the impact of the change in the federal tax rate on the Company's deferred income taxes from the enactment of the TCJA, which included a reduction in the maximum U.S. federal corporate income tax rate from 35% to 21%. The $125 million charge includes $6 million allocated to our Regulated Businesses segment, $5 million to our Market-Based Businesses and $114 million to our Other segment. In 2016, our provision for income taxes decreased $4 million, or 1.3%, from the previous year. This decrease was primarily due to the decrease in pre-tax income. The effective tax rates were 53.3%, 39.2% and 39.1% for the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, we've recognized federal NOL carryforwards of $1.05 billion. The TCJA eliminated the bonus depreciation deduction for property acquired or constructed after September 27, 2017, and we currently expect to utilize the benefits of our federal NOL carryforwards over the next two years. See Note 13—Income Taxes in the Notes to Consolidated Financial Statements for additional information.

Segment Results of Operations

Our segments are determined based on how we assess performance and allocate resources. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being net income attributable to common stockholders. The majority of our business is conducted through our Regulated Businesses reportable segment. We also operate several market-based businesses that provide a broad range of related and complementary water and wastewater services within four operating segments that individually do not meet the criteria of a reportable segment in accordance with GAAP. These four, non-reportable operating segments are collectively presented as our Market-Based Businesses, which is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

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

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Operating revenues	$ 2,958	$ 2,871	$ 2,743	$ 87	3.0	$ 128	4.7
Operation and maintenance	1,091	1,176	1,095	(85)	(7.2)	81	7.4
Operating expenses, net	1,781	1,852	1,732	(71)	(3.8)	120	6.9
Net income attributable to common stockholders	559	472	473	87	18.4	(1)	(0.2)

Operating Revenues

The following tables and the ensuing discussions provide explanations for the variances related to the three components of operating revenues—water services revenues, wastewater services revenues and other revenues:

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Billed water services revenues:							
Residential	$ 1,654	$ 1,592	$ 1,536	$ 62	3.9	$ 56	3.6
Commercial	603	580	559	23	4.0	21	3.8
Industrial	137	134	130	3	2.2	4	3.1
Public and other	351	338	331	13	3.8	7	2.1
Other	31	53	39	(22)	(41.5)	14	35.9
Total billed water services revenues	2,776	2,697	2,595	79	2.9	102	3.9
Unbilled water services revenues	(11)	13	(3)	(24)	(184.6)	16	(533.3)
Total water services revenues	2,765	2,710	2,592	55	2.0	118	4.6
Wastewater services revenues	142	112	97	30	26.8	15	15.5
Other revenues	51	49	54	2	4.1	(5)	(9.3)
Total operating revenues	$ 2,958	$ 2,871	$ 2,743	$ 87	3.0	$ 128	4.7

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Gallons in millions)				Gallons	%	Gallons	%
Billed water services volumes:							
Residential	174,420	174,599	175,653	(179)	(0.1)	(1,054)	(0.6)
Commercial	82,147	82,489	81,772	(342)	(0.4)	717	0.9
Industrial	39,404	38,465	38,991	939	2.4	(526)	(1.3)
Public and other	51,341	50,678	51,324	663	1.3	(646)	(1.3)
Total billed water services volumes	347,312	346,231	347,740	1,081	0.3	(1,509)	(0.4)

Note: The correlation between water revenues and billed water volumes shown in the preceding tables is impacted by the California drought. In 2015, and to a lesser extent in 2016, California experienced a severe drought. In April 2015, the Governor mandated water usage restrictions to reduce overall water usage by 25% in the state compared to 2013 levels. In April 2017, the mandated water usage restrictions were removed. In California, revenue is decoupled from sales volume through the WRAM/MCBA, aligning our water conservation goals with those of the state and our customers, and therefore usage reductions do not impact earnings.

In 2017, operating revenues increased $87 million, or 3.0%, primarily due to a:

- $81 million increase from authorized rate increases, including infrastructure surcharges, principally to fund investment growth in various states;
- $43 million increase attributable to water and wastewater acquisitions, as well as organic growth in existing systems; and a
- $9 million increase resulting from higher wastewater treatment volumes and an increase in private fire service connections; partially offset by a
- $48 million decrease due to lower water services demand, including a $15 million reduction due to warmer weather in 2016.

In 2016, operating revenues increased $128 million, or 4.7%, primarily due to a:

- $92 million increase from authorized rate increases, including infrastructure surcharges, principally to fund investment growth in various states;

- $19 million increase attributable to water and wastewater acquisitions, as well as organic growth in existing systems;
- $4 million increase resulting from higher wastewater treatment volumes and an increase in private fire service connections; and
- $13 million increase mainly due to revenues from balancing accounts, primarily in our California subsidiary, as well as surcharges and other adjustments.

Operation and Maintenance

The following tables and the ensuing discussions provide explanations for the variances related to the major components of operation and maintenance expense:

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Production costs	$ 298	$ 288	$ 282	$ 10	3.5	$ 6	2.1
Employee-related costs	446	443	430	3	0.7	13	3.0
Operating supplies and services	209	212	194	(3)	(1.4)	18	9.3
Maintenance materials and supplies	70	73	70	(3)	(4.1)	3	4.3
Customer billing and accounting	51	54	63	(3)	(5.6)	(9)	(14.3)
Other	17	106	56	(89)	(84.0)	50	89.3
Total	$ 1,091	$ 1,176	$ 1,095	$ (85)	(7.2)	$ 81	7.4

Production Costs

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Purchased water	$ 128	$ 122	$ 117	$ 6	4.9	$ 5	4.3
Fuel and power	89	87	89	2	2.3	(2)	(2.2)
Chemicals	47	47	48	—	—	(1)	(2.1)
Waste disposal	34	32	28	2	6.3	4	14.3
Total	$ 298	$ 288	$ 282	$ 10	3.5	$ 6	2.1

In 2017, production costs increased $10 million, or 3.5%, primarily due to a:

- $6 million increase in purchased water principally due to usage increases in our California subsidiary, the result of the lifting in April 2017 of California water usage restrictions that had been mandated in 2015 due to the state's extreme drought;
- $2 million increase in fuel and power largely attributable to higher system delivery of water and supplier price increases in our Missouri and California subsidiaries; and
- $2 million increase in waste disposal mainly due to higher sludge removal costs in our Illinois and Missouri subsidiaries.

In 2016, production costs increased $6 million, or 2.1%, primarily due to a:

- $5 million increase in purchased water principally due to price increases in our California subsidiary; and a

- $4 million increase in waste disposal largely attributable to higher sludge removal costs in several of our subsidiaries; partially offset by a
- $2 million decrease in fuel and power mainly due to a price decrease in our New Jersey subsidiary.

Employee-Related Costs

(Dollars in millions)	For the Years Ended December 31, 2017	2016	2015	Increase (Decrease) 2017 vs. 2016 $	%	Increase (Decrease) 2016 vs. 2015 $	%
Salaries and wages	$ 334	$ 336	$ 321	$ (2)	(0.6)	$ 15	4.7
Pensions	32	28	30	4	14.3	(2)	(6.7)
Group insurance	54	58	60	(4)	(6.9)	(2)	(3.3)
Other benefits	26	21	19	5	23.8	2	10.5
Total	$ 446	$ 443	$ 430	$ 3	0.7	$ 13	3.0

In 2017, employee-related costs increased $3 million, or 0.7%, primarily due to a:

- $4 million increase in pensions principally due to a lower discount rate in 2017, resulting in increased plan obligations; and a
- $5 million increase in other benefits largely attributable to higher employer 401(k) savings plan contributions and an increase in training costs; partially offset by a
- $4 million decrease in group insurance mainly due to lower medical claims experienced in 2017 and a decrease in other postretirement benefit plan costs resulting from plan amendments approved in 2016, offset in part by higher enrollment in 2017 and increases in group insurance rates.

In 2016, employee-related costs increased $13 million, or 3.0%, primarily due to a:

- $15 million increase in salaries and wages principally due to higher annual performance plan expense and an increase in compensation expense in support of the growth of the business, offset in part by an increase in capitalized labor attributable to higher capital investment; partially offset by a
- $2 million decrease in group insurance largely attributable to a $10 million decrease in other postretirement benefit plan costs resulting from plan amendments approved in 2016, offset in part by $9 million of higher medical claims experienced in 2016.

Operating Supplies and Services

(Dollars in millions)	For the Years Ended December 31, 2017	2016	2015	Increase (Decrease) 2017 vs. 2016 $	%	Increase (Decrease) 2016 vs. 2015 $	%
Contracted services	$ 84	$ 84	$ 81	$ —	—	$ 3	3.7
Office supplies and services	49	45	44	4	8.9	1	2.3
Transportation	14	13	16	1	7.7	(3)	(18.8)
Rents	15	14	14	1	7.1	—	—
Other	47	56	39	(9)	(16.1)	17	43.6
Total	$ 209	$ 212	$ 194	$ (3)	(1.4)	$ 18	9.3

In 2017, operating supplies and services decreased $3 million, or 1.4%, primarily due to a:

- $9 million decrease in other principally due to charges recorded in 2016, including a $5 million write-off of timekeeping system costs that were previously capitalized and a $7 million judgment in litigation; partially offset by a

- $4 million increase in office supplies and services largely attributable to higher employee relocation, telecommunication and office supplies expense.

In 2016, operating supplies and services increased $18 million, or 9.3%, primarily due to a:

- $17 million increase in other principally due to a $5 million write-off of timekeeping system costs that were previously capitalized and a $7 million judgment in litigation, both recorded in 2016, and a $3 million adjustment recorded in 2015 to recognize previously expensed business transformation costs as a regulatory asset in our California subsidiary, resulting from a rate case decision.

Maintenance Materials and Supplies

In 2017, maintenance materials and supplies decreased $3 million, or 4.1%, primarily due to lower tank painting expense in our New Jersey subsidiary and the timing of maintenance activities.

In 2016, maintenance materials and supplies increased $3 million, or 4.3%, primarily due to a:

- $10 million increase in tank painting expense in several of our subsidiaries; partially offset by a
- $5 million decrease in main breaks driven by milder winter weather in 2016.

Customer Billing and Accounting

In 2017 and 2016, customer billing and accounting decreased $3 million and $9 million, or 5.6% and 14.3%, respectively. The decrease in both years was primarily due to lower customer uncollectible expense attributable to focused collection efforts.

Other

In 2017, other operation and maintenance decreased $89 million, or 84.0%, primarily due to a:

- $65 million net charge recorded in 2016, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia, and a $22 million benefit recorded in 2017, resulting from a related insurance settlement with one of our general liability insurance carriers; and
- $5 million decrease in casualty insurance expense attributable to a lower claims experience.

In 2016, other operation and maintenance expenses increased $50 million, or 89.3%, primarily due to a:

- $65 million charge recorded in 2016, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia; partially offset by a
- $15 million decrease in casualty insurance expense attributable to a lower claims experience.

Operating Expenses, net.

In 2017, operating expenses, net decreased $71 million, or 3.8%, primarily due to a:

- $85 million decrease in operation and maintenance expense as explained above; and a
- $7 million gain recognized on a land sale in our Kentucky subsidiary; partially offset by a
- $22 million increase in depreciation and amortization expense attributable to additional utility plant placed in service; included in the 2017 expense amount was the impact of revised rates from a depreciation study approved by the ICC in our Illinois subsidiary, resulting in lower depreciation expense of $16 million.

In 2016, operating expenses, net increased $120 million, or 6.9%, primarily due to a:

- $81 million increase in operation and maintenance expense as explained above;
- $30 million increase in depreciation and amortization expense attributable to additional utility plant placed in service and incremental depreciation and amortization expense resulting from our acquisition of Keystone in the third quarter of 2015; and
- $14 million increase in general taxes principally due to incremental property and gross receipts taxes.

Market-Based Businesses

The following table summarizes certain financial information for our Market-Based Businesses and the ensuing discussions provide explanations for the variance related to operating revenues:

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Operating revenues	$ 422	$ 451	$ 434	$ (29)	(6.4)	$ 17	3.9
Operation and maintenance	337	372	358	(35)	(9.4)	14	3.9
Operating expenses, net	360	391	370	(31)	(7.9)	21	5.7
Net income attributable to common stockholders	38	39	42	(1)	(2.6)	(3)	(7.1)

Operating Revenues

In 2017, operating revenues decreased $29 million, or 6.4%, primarily due to a:

- $56 million decrease in our Military Services Group principally due to lower capital upgrades in 2017, largely driven by reduced military base budgets and the completion of a large project in mid-2016 at Fort Polk; and a
- $6 million decrease in our Contract Operations Group largely attributable to the completion of several contracts in 2017; partially offset by a
- $18 million increase in our Homeowner Services Group mainly due to contract growth, as well as expansion into new geographic areas and price increases for existing customers; and a
- $16 million increase in Keystone primarily due to an increase in operations as a result of market recovery in the natural gas industry.

In 2016, operating revenues increased $17 million, or 3.9%, primarily due to a:

- $15 million increase from Keystone, which was acquired in the third quarter of 2015;
- $11 million increase in our Homeowner Services Group mainly due to contract growth, as well as expansion into new geographic areas and price increases for existing customers; and a
- $11 million increase in our Contract Operations Group largely attributable to contract growth, specifically from our contract in Camden, New Jersey; partially offset by a
- $21 million decrease in our Military Services Group principally due to lower capital upgrades in 2016, offset in part by incremental revenues from the addition of the Vandenberg Air Force Base contract in 2016.

Operation and Maintenance

The following table and ensuing discussions provide explanations for the variances related to the major components of operation and maintenance expense:

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Production costs	$ 37	$ 35	$ 36	$ 2	5.7	$ (1)	(2.8)
Employee-related costs	97	94	76	3	3.2	18	23.7
Operating supplies and services	121	165	182	(44)	(26.7)	(17)	(9.3)
Maintenance materials and supplies	67	68	57	(1)	(1.5)	11	19.3
Other	15	10	7	5	50.0	3	42.9
Total	$ 337	$ 372	$ 358	$ (35)	(9.4)	$ 14	3.9

In 2017, operation and maintenance expense decreased $35 million, or 9.4%, primarily due to a:

- $44 million decrease in operating supplies and services principally due to lower capital upgrades in our Military Services Group in 2017, as discussed above, as well as lower advertising and marketing expense in our Homeowners Services Group; partially offset by a
- $3 million increase in employee-related costs largely attributable to higher headcount in Keystone due to an increase in operations as a result of market recovery in the natural gas industry, offset in part in our Contract Operations Group as several contracts were completed in 2017; and a
- $5 million increase in other mainly due to an increase in customer uncollectible expense in our Homeowner Services Group as a result of contract growth in 2017.

In 2016, operation and maintenance expense increased $14 million, or 3.9%, primarily due to a:

- $11 million increase from Keystone, which was acquired in the third quarter of 2015, including $8 million in employee-related costs and $1 million each in production costs, operating supplies and services, and an;
- $11 million increase in maintenance materials and supplies largely attributable to contract growth in our Homeowner Services and Contract Operations Groups, and higher claims, marketing expenses and costs associated with our investment in a new customer information system in our Homeowner Services Group; and a
- $10 million increase in employee-related costs principally due to the addition of the Vandenberg Air Force Base contract in 2016, and increased headcount resulting from contract growth in our Homeowner Services and Contract Operations Groups; partially offset by a
- $18 million decrease in operating supplies and services mainly due to lower capital upgrades in our Military Services Group, as discussed above.

Liquidity and Capital Resources

We regularly evaluate and monitor our cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. Our business is capital intensive, with a majority of this capital funded by cash flows from operations. When necessary, we also obtain funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings. We also have access to equity capital markets, if needed. Our access to external financing on reasonable terms depends on our credit ratings and current business conditions, including that of the utility and water utility industries in general, as well as conditions in the debt or equity capital markets, and the national and international economic and geopolitical

arenas. If these business, market, financial and other conditions deteriorate to the extent that we no longer are able to access the capital markets on reasonable terms, we have access to an unsecured revolving credit facility with aggregate bank commitments of $1.75 billion, with an expiration date of June 2020 (subject to extension by us for up to two one-year periods). We rely on this revolving credit facility and the capital markets to fulfill our short-term liquidity needs, to issue letters of credit and to support our $1.6 billion commercial paper program. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit our ability to issue debt and equity securities in the capital markets. See “Credit Facilities and Short-Term Debt” for further discussion.

In order to meet our short-term liquidity needs, we, through AWCC, our wholly owned financing subsidiary, issue commercial paper, which is supported by the revolving credit facility. As of December 31, 2017, AWCC had no outstanding borrowings and $84 million of outstanding letters of credit under its revolving credit facility, with $1.75 billion available to fulfill our short-term liquidity needs and to issue letters of credit, which supported $905 million in outstanding commercial paper. We believe that our ability to access the capital markets, our revolving credit facility and our cash flows from operations will generate sufficient cash to fund our short-term requirements. We have no plans to issue equity under normal operating conditions in the foreseeable future with the limited exception of privately or investor-owned acquisitions whose sellers require equity as necessary to complete the acquisition. We believe we have sufficient liquidity and the ability to manage our expenditures, should there be a disruption of the capital and credit markets. However, we can provide no assurances that the lenders will meet their existing commitments to AWCC under the revolving credit facility or that we will be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all.

In addition, our regulated subsidiaries receive advances and contributions from customers, home builders and real estate developers to fund construction necessary to extend service to new areas. Advances for construction are refundable for limited periods, which vary according to state regulations, as new customers begin to receive service or other contractual obligations are fulfilled. Amounts which are no longer refundable are reclassified to contributions in aid of construction. Utility plant funded by advances and contributions is excluded from our Regulated Businesses rate base. Generally, we depreciate contributed property and amortize contributions in aid of construction at the composite rate of the related property. Some of our subsidiaries do not depreciate contributed property, based upon regulatory guidelines. The taxability of advances and contributions in aid of construction was changed with the enactment of the TCJA. Previously, the majority of advances and contributions that we collected were not taxable however, with the enactment of the TCJA, they will be taxable going forward. Regulatory treatment for advances and contributions under the TCJA has not yet been defined and we are working with our regulatory jurisdictions to determine impacts to the Company and our customers.

We use our capital resources, including cash, primarily to: (i) fund operating and capital requirements; (ii) pay interest and meet debt maturities; (iii) pay dividends; (iv) fund acquisitions; and (v) fund pension and postretirement benefit obligations. We invest a significant amount of cash on regulated capital projects where we expect to earn a long-term return on investment. Additionally, we operate in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Economic Regulation and Rate Making. We expect to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since we expect our capital investments over the next few years to be greater than our cash flows from operating activities, we have no plans to reduce debt significantly. If necessary, we may delay certain capital investments or other funding requirements, or pursue financing from other sources to preserve liquidity. In this event, we believe we can rely upon cash flows from operations to meet our obligations and fund our minimum required capital investments for an extended period of time.

With the enactment of the TCJA and the reduction of the U.S. federal corporate income tax rate from 35% to 21%, we anticipate a decrease in future revenue authorizations associated with our Regulated Businesses, initially leading to lower cash flows. We expect this cash flow impact to decline over time, as our Regulated

Businesses' rate base grows, the result of lower deferred income tax liabilities, which offset rate base. The lower deferred income tax liabilities are mainly due to: (i) a lower U.S. federal corporate income tax rate; (ii) the normalization (refunding to customers) of the re-measured deferred income tax liabilities over the remaining life of the associated assets; and (iii) the loss of future bonus depreciation deductions on capital projects that began after September 27, 2017.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Our future cash flows provided by operating activities will be affected by, among other things: economic utility regulation; inflation; compliance with environmental, health and safety standards; production costs; customer growth; declining customer usage of water; employee-related costs, including pension funding; weather and seasonality; taxes; and overall economic conditions.

We expect that the enactment of the TCJA to be accretive to our consolidated earnings over time through: (i) growth in rate base for the same level of expected capital expenditures due to the impact of the lower U.S. federal corporate income tax rate and the re-measurement of our deferred income tax assets and liabilities; (ii) increased earnings in our Market-Based Businesses due to the lower U.S. federal corporate income tax rate; all partially offset by (iii) the impact of increased debt due to lower cash flows from operations. We believe that we will likely begin paying federal income taxes towards the end of 2019, when we expect our federal NOL carryforwards balance will be fully benefited or used, and expect to be a full cash taxpayer by 2020, although this timing could be impacted by any significant changes in our future results of operations and the outcome of regulatory proceedings regarding the TCJA.

Cash flows provided by operating activities have been a reliable, steady source of funding, sufficient to meet operating requirements, make our dividend payments and fund a portion of our capital expenditure requirements. We expect to seek access to debt capital markets to meet the balance of our capital expenditure requirements as needed. We also have access to equity capital markets, if needed. Operating cash flows can be negatively affected by changes in our rate regulated environments or changes in our customers' economic outlook and ability to pay for service in a timely manner. As such, our working capital needs are primarily limited to funding increases in customer accounts receivable and unbilled revenues, mainly associated with revenue increases in our Regulated Businesses. We can provide no assurance that our customers' historical payment pattern will continue in the future. Sometimes our current liabilities exceed current assets because of our debt due within one year and the periodic use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, as well as cash needs which can fluctuate significantly due to the seasonality of the business, stage of our acquisitions and construction projects. We address cash timing differences through the aforementioned liquidity funding mechanisms.

The following table provides a summary of the major items affecting our cash flows provided by operating activities:

	For the Years Ended December 31,		
	2017	2016	2015
(In millions)			
Net income	$ 426	$ 468	$ 476
Add (less):			
Depreciation and amortization	492	470	440
Deferred income taxes and amortization of investment tax credits	462	295	312
Other non-cash activities (a)	16	35	37
Impact of Freedom Industries settlement activities	(22)	65	—
Changes in working capital (b)	123	9	(13)
Pension and postretirement benefit contributions	(48)	(53)	(57)
Net cash flows provided by operating activities	$ 1,449	$ 1,289	$ 1,195

(a) Includes provision for losses on accounts receivable, gain on asset dispositions and purchases, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found in the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net.

In 2017, cash flows provided by operating activities increased $160 million, primarily due to an increase in net income after non-cash adjustments, including the impact of the enactment of the TCJA, and an increase in cash flows from working capital. The main factors contributing to the net income increase are described in the "Consolidated Results of Operations" section and include higher operating revenues, partially offset by higher income taxes due to a $125 million re-measurement charge resulting from the impact of the change in the federal tax rate on the Company's deferred income taxes from the enactment of the TCJA. The increase in non-cash activities was mainly attributable to the increase in deferred income taxes, as mentioned above, and an increase in depreciation and amortization due to additional utility plant placed in service. The change in working capital was principally due to: (i) the timing of accounts payable and accrued liabilities, including the accrual recorded during 2016 for the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia; (ii) a decrease in unbilled revenues as a result of our Military Services Group achieving significant capital project milestones during 2016; and (iii) a change in other current assets and liabilities, including the decrease in other current assets associated with the termination of our four forward starting swap agreements and timing of payments clearing our cash accounts.

In 2016, cash flows provided by operations increased $94 million, primarily due to an increase in net income after non-cash adjustments, including the impact of the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia, and an increase in cash flows from working capital. The main factors contributing to the net income increase are described in the "Consolidated Results of Operations" section and include higher operating revenues, partially offset by higher O&M expenses. The increase in non-cash activities was mainly attributable to an increase in depreciation and amortization due to additional utility plant placed in service. The change in working capital was principally due to: (i) a change in accounts receivable and unbilled revenues resulting from continuous improvement in our Regulated Businesses' collection efforts, as well as a decrease in unbilled revenues in our Military Services Group attributable to lower capital upgrades in 2016 as compared to the same period in 2015; (ii) the timing of accounts payable and accrued liabilities; and (iii) a change in other current assets and liabilities.

The Company expects to make pension and postretirement contributions to the plan trusts up to $45 million in 2018. In addition, we estimate that contributions will amount to $47 million, $47 million, $51 million and $58 million in 2019, 2020, 2021 and 2022, respectively. Actual amounts contributed could change materially from these estimates as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows Used in Investing Activities

The following table provides a summary of the major items affection our cash flows used in investing activities:

	For the Years Ended December 31,		
	2017	2016	2015
(In millions)			
Capital expenditures	$ (1,434)	$ (1,311)	$ (1,160)
Acquisitions	(177)	(204)	(197)
Other investing activities, net (a)	(61)	(75)	(102)
Net cash flows used in investing activities	$ (1,672)	$ (1,590)	$ (1,459)

(a) Includes removal costs from property, plant and equipment retirements and proceeds from sale of assets and securities.

In 2017 and 2016, cash flows used in investing activities increased primarily due to an increase in our regulated capital expenditures, principally from incremental investments associated with the replacement and renewal of our transmission and distribution infrastructure in our Regulated Businesses.

Our infrastructure investment plan consists of both infrastructure renewal programs, where we replace infrastructure, as needed, and major capital investment projects, where we construct new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. Our projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

The following table provides a summary of our historical capital expenditures related to the upgrading of our infrastructure and systems:

	For the Years Ended December 31,		
	2017	2016	2015
(In millions)			
Transmission and distribution	$ 551	$ 568	$ 527
Treatment and pumping	171	151	136
Services, meter and fire hydrants	281	297	214
General structure and equipment	281	202	174
Sources of supply	54	59	53
Wastewater	96	34	56
Total capital expenditures	$ 1,434	$ 1,311	$ 1,160

In 2017, our capital expenditures increased $123 million, or 9.4%, primarily due to investment in our general structure and equipment and wastewater categories. In 2016, our capital expenditures increased $151 million, or 13.0%, principally due to investment across the majority of our infrastructure categories.

We also grow our business through acquisitions of water and wastewater systems, as well as other water-related services. These acquisitions are complementary to our existing business and support continued geographical diversification and growth of our operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with the proceeds from long-term debt.

The following provides a summary of the acquisitions and dispositions affecting our cash flows from investing activities:

2017:

- The majority of cash paid for acquisitions pertained to the $159 million purchase of the McKeesport system, excluding a $5 million non-escrowed deposit made in 2016.
- Paid $18 million for 16 water and wastewater systems, excluding the McKeesport system and Shorelands (a stock transaction), representing approximately 7,000 customers.
- Received $15 million for the sale of assets and securities.

2016:

- Paid $199 million for 15 water and wastewater systems, representing approximately 42,000 customers.
- Made a non-escrowed deposit of $5 million related to the McKeesport system acquisition.
- Received $9 million for the sale of assets and securities.

2015:

- Paid $133 million for the acquisition of our 95% interest in Water Solutions Holdings, LLC, the parent company of Keystone.
- Paid $64 million for 14 water and wastewater systems, representing approximately 24,000 customers.
- Received $5 million for the sale of assets and securities.

As previously noted, we expect to invest between $8.0 billion to $8.6 billion from 2018 to 2022, with $7.2 billion of this range for infrastructure improvements in our Regulated Businesses. In 2018, we expect to invest between $1.6 billion to $1.8 billion, with a range of $1.4 billion to $1.5 billion for infrastructure improvements in our Regulated Businesses. Also in 2018, we expect to invest between $120 million to $240 million for acquisitions in our Regulated Businesses, and approximately $100 million for strategic growth opportunities, including the construction of our new corporate headquarters in Camden, New Jersey, which is expected to be completed during the second half of 2018 and is eligible for tax credits from New Jersey's Economic Development Authority.

Cash Flows from Financing Activities

Our financing activities, primarily focused on funding infrastructure construction expenditures, include the issuance of long-term and short-term debt, primarily through AWCC. In addition, new infrastructure may be funded with customer advances and contributions in aid of construction, net of refunds, which amounted to $28 million, $16 million and $26 million for the years ended December 31, 2017, 2016 and 2015, respectively. Based on the needs of our Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and the parent company. The Regulated Businesses and the parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. The parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, the parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2017, AWCC has made long-term fixed rate loans and commercial paper loans to our Regulated Businesses amounting to $3.9 billion and $586 million, respectively. Additionally, as of December 31, 2017, AWCC has made long-term fixed rate loans and commercial paper loans to the parent company amounting $1.6 billion and $319 million, respectively.

On August 10, 2017, AWCC completed a $1.35 billion debt offering which included the sale of $600 million aggregate principal amount of its 2.95% Senior Notes due 2027, and $750 million aggregate principal amount of its 3.75% Senior Notes due in 2047. At the closing of the offering, AWCC received, after deduction of underwriting discounts and debt issuance costs, $1.33 billion. On September 13, 2017, AWCC used proceeds from the offering to prepay $138 million of its outstanding 5.62% Series C Senior Notes due December 21, 2018 ("Series C Senior Notes") and $181 million of its outstanding 5.77% Series D Senior Notes due December 21, 2021 ("Series D Senior Notes"). AWCC also used the proceeds of this offering to repay commercial paper obligations and for general corporate purposes, and subsequently, on October 15, 2017, to repay at maturity, $524 million of its 6.085% Senior Notes.

As a result of AWCC's prepayment of the Series C Senior Notes and the Series D Senior Notes, and payment of a make-whole premium amount to the holders thereof of $34 million, we recorded a $6 million charge resulting from the early extinguishment of debt at the parent company. Substantially all of the early debt extinguishment costs allocable to the Regulated Businesses were recorded as regulatory assets for we believe they are probable of recovery in future rates. Approximately $1 million of the early debt extinguishment costs allocable to the Regulated Businesses were amortized in 2017.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, we follow risk management policies and procedures, including the use of derivative contracts such as swaps. We reduce exposure to interest rates by managing commercial paper and debt maturities. We do not enter into derivative contracts for speculative purposes and do not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. We minimize the counterparty credit risk on these transactions by only dealing with leading, credit-worthy financial institutions, having long-term credit ratings of "A" or better.

On August 7, 2017, coinciding with AWCC's $1.35 billion debt offering, we terminated four existing forward starting swap agreements with an aggregate notional amount of $300 million, realizing a gain of $19 million to be amortized through interest, net, over 30 years. On February 8, 2017, and December 11, 2017, we entered into forward starting swap agreements, each with notional amounts of $100 million, to reduce interest rate exposure on debt expected to be issued in 2018. These forward starting swap agreements terminate in November 2018, and have an average fixed rate of 2.59%. We have designated these forward starting swap agreements as cash flow hedges, with their fair values recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net, over the term of the new debt.

In October 2017, we terminated our interest-rate swap to hedge $100 million of its 6.085% Senior Notes maturing in the fourth quarter of 2017. The Company paid variable interest of six-month LIBOR plus 3.422%, and had designated this interest rate swap as a fair value hedge, accounted for at fair value with gains or losses, as well as the offsetting gains or losses on the hedged item, recognized in interest, net. The net gain and loss recognized by the Company was de minimis for the periods ended December 31, 2017 and 2016.

In May 2015, the parent company and AWCC filed with the SEC, a universal shelf registration statement that enables us to meet our capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration will expire in May 2018. During 2017, 2016 and 2015, $1.35 billion, $550 million and $550 million, respectively, of debt securities were issued pursuant to this registration statements.

The following table details the issuances of long-term debt in 2017:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC	Senior notes—fixed rate	2.95%-3.75%	2027-2047	$ 1,350
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.44%	2020-2037	31
Other American Water subsidiaries	Mortgage bonds—fixed rate	3.92%	2020	3
Other American Water subsidiaries	Term loan	4.62%-5.12%	2021	11
Total issuances				$ 1,395

The following table details the long-term debt that was retired through sinking fund provisions, optional redemption or payment at maturity during 2017:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC	Senior notes—fixed rate	5.62%-6.09%	2017-2021	$ 844
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.38%	2017-2041	15
Other American Water subsidiaries	Mortgage bonds—fixed rate	7.08%	2017	33
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Other American Water subsidiaries	Term loan	4.31%-5.31%	2021	1
Total retirements and redemptions				$ 896

The following table details the issuances of long-term debt in 2016:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC (a)	Senior notes—fixed rate	3.00%-4.00%	2026-2046	$ 550
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	1.00%-1.36%	2026-2037	3
Total issuances				$ 553

(a) On November 17, 2016, AWCC completed an offering of its senior fixed rate notes. Proceeds from this offering were used to lend funds to the Company and its Regulated Businesses, to repay commercial paper borrowings and for general corporate purposes.

The following table details the long-term debt that was retired through sinking fund provisions, optional redemption or payment at maturity during 2016:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC	Senior notes—fixed rate	5.52%	2016	$ 37
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.30%	2016-2041	104
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Total retirements and redemptions				$ 144

The following table details the issuances of long-term debt in 2015:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC (a)	Senior notes—fixed rate	3.40%-4.30%	2025-2045	$ 550
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	1.00%-1.56%	2032	15
Total issuances				$ 565

(a) On August 13, 2015, AWCC completed an offering of its senior fixed rate notes. Proceeds from this offering were used to lend funds to the Company and its Regulated Businesses, to repay commercial paper borrowings and to finance redemptions of long-term debt.

The following table details the long-term debt that was retired through sinking fund provisions, optional redemption or payment at maturity during 2015:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC	Senior notes—fixed rate	6.00%	2015	$ 30
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-5.25%	2015-2031	36
Other American Water subsidiaries (a)	Private activity bonds and government funded debt—fixed rate	0.00%-5.40%	2015-2041	61
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	4
Total retirements and redemptions				$ 131

(a) Includes $2 million of non-cash redemptions resulting from the use of restricted funds.

From time to time and as market conditions warrant, we may engage in long-term debt retirements through tender offers, open market repurchases or other viable alternatives to strengthen our balance sheets.

In February 2015, our Board of Directors authorized an anti-dilutive, common stock repurchase program to mitigate the effect of shares issued through our dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock, over an unrestricted period of time, in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and to facilitate the repurchases, we have also entered into Rule 10b5-1 share repurchase plans with a third-party broker, which allows us to repurchase shares at times when we may otherwise be prevented from doing so under insider trading

laws or because of self-imposed trading blackout periods. Subject to applicable regulations, we may elect to amend or cancel this repurchase program or the share repurchase parameters at our discretion. As of December 31, 2017, we have repurchased an aggregate of 3,950,000 shares of common stock under this program.

Credit Facilities and Short-Term Debt

We have an unsecured revolving credit facility of $1.75 billion that expires in June 2020. In March 2016, and under the terms of the revolving credit agreement dated June 30, 2015, AWCC exercised its right to increase its borrowing capacity available under our revolving credit facility from the aggregate maximum of $1.25 billion, to $1.75 billion. All other terms, conditions and covenants with respect to the existing facility remained unchanged. On June 30, 2015, AWCC and its lenders extended the termination date of the revolving credit facility from October 2018, to June 2020. This amended and restated agreement also allowed AWCC to request to extend further the term of the credit facility for up to two one-year periods. An extension request must satisfy certain conditions and receive approval of the lenders, as set forth in the revolving credit agreement.

Interest rates on advances under the facility are based on a credit spread to the Eurodollar rate or base rate in accordance with AWCC's then-applicable Moody Investors Service or Standard & Poor's Ratings Services credit rating. At current ratings, that spread would be 0.90%. The facility is used principally to support AWCC's commercial paper program and to provide up to $150 million in letters of credit. Indebtedness under the facility is considered "debt" for purposes of a support agreement between the Company and AWCC, which serves as a functional equivalent of a guarantee by the Company of AWCC's payment obligations under the credit facility.

AWCC also has an outstanding commercial paper program that is backed by the revolving credit facility, the maximum aggregate outstanding amount of which was increased on March 22, 2016, from $1.0 billion to $1.6 billion.

Keystone has its own line of credit facility with a maximum availability of up to $12 million, the actual amount of which is determined pursuant to a collateral base calculation. Borrowings under this facility are payable upon demand with interest being paid monthly. Interest accrues each day at a rate per annum equal to 2.75% above the greater of the one month or one day LIBOR. The borrowing base under the facility allows for financing up to the greater of the note or 80% of eligible accounts receivable. Based on the collateral assets at December 31, 2017, $7 million was available to borrow. At December 31, 2017, there were no outstanding borrowings.

The following table summarizes information regarding the Company's aggregate credit facility commitments, letter of credit sub-limits and available funds under those revolving credit facilities, as well as outstanding amounts of commercial paper and outstanding borrowings under the respective facilities as of December 31, 2017 and 2016:

(Dollars in millions)	Credit Facility Commitment	Available Credit Facility Capacity	Letter of Credit Sublimit	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
December 31, 2017	$ 1,762	$ 1,673	$ 150	$ 66	$ 1,600	$ 695
December 31, 2016	1,766	1,668	150	62	1,600	751

The weighted-average interest rate on AWCC short-term borrowings for the years ended December 31, 2017 and 2016 was approximately 1.24% and 0.78%, respectively.

Capital Structure

The following table indicates the percentage of our capitalization represented by the components of our capital structure as of December 31:

	2017	2016	2015
Total common stockholders' equity	41.0%	42.1%	43.5%
Long-term debt and redeemable preferred stock at redemption value	49.6%	46.4%	50.6%
Short-term debt and current portion of long-term debt	9.4%	11.5%	5.9%
Total	100%	100%	100%

The changes in the capital structure between periods were mainly attributable to an increase in the current portion of long-term debt.

Debt Covenants

Our debt agreements contain financial and non-financial covenants. To the extent that we are not in compliance with these covenants, an event of default may occur under one or more debt agreements and we or our subsidiaries may be restricted in our ability to pay dividends, issue new debt or access our revolving credit facility. Our long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Our failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require us to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2017, our ratio was 0.59 to 1.00 and therefore we were in compliance with the covenants.

Security Ratings

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

The following table presents our long-term and short-term credit rating and rating outlook as of February 20, 2018:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating Outlook	Negative	Stable
Senior unsecured debt	A3	A
Commercial paper	P-2	A-1

On January 19, 2018, Moody's Investors Service changed the rating outlooks to negative, from stable, for 24 regulated utilities and utility holding companies, including the Company, all of which were primarily impacted by enactment of the TCJA. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon our ability to generate cash flows in an amount sufficient to service our debt and meet our investment plans. We can provide no assurances that our ability to generate cash flows is sufficient to maintain our existing ratings. None of our borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under our credit facility.

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

Dividends

Our Board of Directors authorizes the payment of dividends. Our ability to pay dividends on our common stock is subject to having access to sufficient sources of liquidity, the net income and cash flows of our subsidiaries, the receipt of dividends and repayments of indebtedness from our subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements, and other factors. The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. Historically, dividends have been paid quarterly to holders of record less than 30 days prior to the distribution date. Since the dividends on our common stock are not cumulative, only declared dividends are paid.

During 2017, 2016 and 2015, we paid $289 million, $261 million and $239 million in cash dividends, respectively. The following table summarizes the per share cash dividends paid for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
December	$ 0.415	$ 0.375	$ 0.34
September	$ 0.415	$ 0.375	$ 0.34
June	$ 0.415	$ 0.375	$ 0.34
March	$ 0.375	$ 0.34	$ 0.31

On December 8, 2017, our Board of Directors declared a quarterly cash dividend payment of $0.415 per share payable on March 1, 2018, to stockholders of record as of February 7, 2018.

Regulatory Restrictions

The issuance by the Company or AWCC of long-term debt or equity securities does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. However, state PUC authorization is required to issue long-term debt at most of our regulated subsidiaries. Our regulated subsidiaries normally obtain the required approvals on a periodic basis to cover their anticipated financing needs for a period of time or in connection with a specific financing.

Under applicable law, our subsidiaries can pay dividends only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the dividends that the subsidiary can distribute to us. Furthermore, the ability of our subsidiaries to pay upstream dividends or repay indebtedness to American Water is subject to compliance with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations, and other agreements or covenants made or entered into by American Water and its subsidiaries.

Insurance Coverage

We carry various property, casualty and financial insurance policies with limits, deductibles and exclusions that we believe are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going forward basis. We are self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on our short-term and long-term financial condition and our results of operations and cash flows.

Contractual Obligations and Commitments

We enter into contractual obligations with third parties in the ordinary course of business. Information related to our contractual obligations as of December 31, 2017 is summarized in the table below:

Contractual obligation (In millions)	Total	1 year or Less	2-3 Years	4-5 years	More Than 5 years
Long-term debt obligations (a)	$ 6,814	$ 320	$ 218	$ 420	$ 5,856
Interest on long-term debt (b)	5,047	324	600	571	3,552
Operating lease obligations (c)	123	15	26	17	65
Purchase water obligations (d)	979	59	130	129	661
Other purchase obligations (e)	235	235	—	—	—
Postretirement benefit plans' obligations (f)	3	—	3	—	—
Pension plan obligations (f)	239	39	91	109	—
Preferred stocks with mandatory redemption requirements	10	2	3	2	3
Interest on preferred stock with mandatory redemption requirements	5	1	1	1	2
Other obligations (g)	1,113	430	213	154	316
Total	$ 14,568	$ 1,425	$ 1,285	$ 1,403	$ 10,455

Note: The above table reflects only financial obligations and commitments. Therefore, performance obligations associated with our Market-Based Businesses are not included in the above amounts. Also, uncertain tax positions of $106 million are not reflected in this table as we cannot predict when open tax years will close with completed examinations. See Note 13—Income Taxes in the Notes to the Consolidated Financial Statements.

(a) Represents sinking fund obligations, debt maturities and capital lease obligations.

(b) Represents expected interest payments on outstanding long-term debt. Amounts reported may differ from actual due to future financing of debt.

(c) Represents future minimum payments under non-cancelable operating leases, primarily for the lease of motor vehicles, buildings, land and other equipment including water facilities and systems constructed by partners under the Public-Private Partnerships described below.

(d) Represents future payments under water purchase agreements for minimum quantities of water.

(e) Represents the open purchase orders as of December 31, 2017 for goods and services purchased in the ordinary course of business.

(f) Represents contributions expected to be made to pension and postretirement benefit plans for the years 2018 through 2022.

(g) Includes an estimate of advances for construction to be refunded, capital expenditures estimated to be required under legal and binding contractual obligations, contracts entered into for energy purchases, a liability associated with a conservation agreement and service agreements.

Public-Private Partnerships

WVAWC has entered into a series of agreements with various public entities, which we refer to as the Partners, to establish certain joint ventures, commonly referred to as "public-private partnerships." Under the

public-private partnerships, WVAWC constructed utility plant, financed by WVAWC, and the Partners constructed utility plant (connected to WVAWC's property), financed by the Partners. WVAWC agreed to transfer and convey some of its real and personal property to the Partners in exchange for an equal principal amount of Industrial Development Bonds, commonly referred to as IDBs, issued by the Partners under a state Industrial Development Bond and Commercial Development Act. WVAWC leased back the total facilities, including portions funded by both WVAWC and the Partners, under leases for a period of 40 years.

The leases have payments that approximate the payments required by the terms of the IDBs. These payments are considered "PILOT payments" which represent payments that WVAWC otherwise would pay as property taxes on the properties. We have presented the transaction on a net basis in the Consolidated Financial Statements. The carrying value of the transferred facilities, which is presented in property, plant and equipment in the Consolidated Balance Sheets, was approximately $150 million as of December 31, 2017.

Performance Obligations

We have entered into agreements for the provision of services to water and wastewater facilities for the United States military, municipalities and other customers. These military services agreements expire between 2051 and 2068 and have remaining performance commitments as measured by estimated remaining contract revenues of $3.6 billion as of December 31, 2017. The operations and maintenance agreements with municipalities and other customers expire between 2018 and 2038 and have remaining performance commitments as measured by estimated remaining contract revenue of $711 million as of December 31, 2017. Some of the Company's long-term contracts to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities include responsibility for certain major maintenance for some of the facilities, in exchange for an annual fee.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and make estimates, assumptions and judgments that could significantly affect a company's financial condition, results of operations and cash flows. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on our financial condition, results of operations and cash flows, as reflected in our Consolidated Financial Statements. Management has reviewed the critical accounting polices described below with our audit committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to the Consolidated Financial Statements for additional information.

Rate Regulation and Regulatory Accounting

Our regulated utilities are subject to economic regulation by PUCs and, as such, we follow the authoritative accounting principles required for rate regulated utilities, which requires us to reflect the effects of rate regulation in our Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2017, we concluded that the operations of our utilities met the criteria.

Application of this authoritative guidance has a further effect on our financial statements as it pertains to allowable costs used in the ratemaking process. We make significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and

liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by an non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. Regulators may also impose certain fines or penalties.

For each regulatory jurisdiction where we conduct business, we assess, at the end of each reporting period, whether the regulatory assets and liabilities continue to meet the criteria for probable, future recovery or settlement. This assessment includes consideration of factors such as changes in applicable regulatory environments; recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction and the status of any pending or potential legislation that could impact the ability to recover costs through regulated rates. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable, future recovery or settlement, our Consolidated Statements of Operations and financial position could be materially affected. In addition, if we conclude in a future period that a separable portion of the business no longer meets the criteria, we are required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact our Consolidated Financial Statements.

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the maximum U.S. federal corporate income tax rate from 35% to 21% as of January 1, 2018. The TCJA created significant excess deferred income taxes that the Company and its regulatory jurisdictions believe should be refunded to customers. As such, we recorded these amounts as regulatory liabilities. The PUCs in our regulatory jurisdictions have opened formal proceedings related to the TCJA and we have begun working with our regulators on options to provide the income tax savings to our customers, and to address customer rate impacts and cash flow impacts for the Company. The outcome of these proceedings will likely take some time and could vary by regulatory jurisdiction.

As of December 31, 2017 and 2016, our regulatory asset balance was $1.1 billion and $1.3 billion, respectively, and our regulatory liability balance was $1.7 billion and $403 million, respectively. See Note 6—Regulatory Assets and Liabilities in the Notes to Consolidated Financial Statements for further information regarding our significant regulatory assets and liabilities.

Goodwill

As of December 31, 2017 and 2016, our goodwill balance was $1.4 billion and $1.3 billion, respectively. Under GAAP, goodwill must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and evaluated for impairment minimally, once a year. We perform an annual review for impairment of goodwill as of November 30 of each year, or more frequently if we determine that changes in circumstances or a triggering event that would more likely than not, reduce the fair value of a reporting unit below its carrying value, has occurred. Adverse industry or economic trends, lower projections of profitability, or a sustained decline in our market capitalization, among other things, may be indicators of potential goodwill impairment issues, requiring the testing of the carrying value for recoverability.

Entities evaluating goodwill for impairment have the option of first performing a qualitative assessment to determine whether a quantitative assessment is necessary. In performing a qualitative assessment, we assess and makes judgments, among other things, around macroeconomic conditions, industry and market conditions, overall financial performance, cost factors and entity specific events. These factors require significant judgment and estimates, and application of alternative assumptions could produce significantly different results. If it is

determined, based upon qualitative factors, that the fair value of a reporting unit is more likely than not, greater than its carrying value, no further testing is required. If an entity bypasses the qualitative assessment, or performs the qualitative assessment but determines that the fair value of a reporting unit is more likely than not, less than its carrying value, a two-step, quantitative fair value assessment is performed.

The first step of a quantitative assessment compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. If the estimated fair value of the reporting unit is less than such reporting unit's carrying value, then the second step of the quantitative assessment is performed to measure the amount of the impairment loss, if any, for such reporting unit.

The second step of a quantitative assessment requires an allocation of fair value to the individual assets and liabilities of the reporting unit, using purchase price allocation accounting guidance in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying value for the reporting unit, an impairment loss is recorded as a reduction to goodwill and a charge to operating expense. Application of goodwill impairment testing requires significant management judgment, including the identification of reporting units and determining the fair value of the reporting unit. We estimate fair value using a combination of a discounted cash flow analysis and market multiples analysis. Significant assumptions used in these fair value analyses include, but are not limited to, forecasts of future operating results, discount and growth rates, capital expenditures, tax rates, working capital, weighted average cost of capital and projected terminal values. Changes in estimates or the application of alternative assumptions could produce significantly different results.

At November 30, 2017, we completed qualitative assessments for our Regulated Businesses, Military Services Group and Contract Operations Group reporting units, and determined that no qualitative factors were present that would indicate the estimated fair values of these reporting units were less than their respective carrying values. As such, we determined that the two-step, quantitative fair value assessment was not necessary for these reporting units as of November 30, 2017.

At November 30, 2017, we completed step one of the two-step, quantitative assessment for our Homeowner Services Group and Keystone reporting units, and concluded there were no impairments to their respective goodwill carry values. We used an income approach valuation technique which estimates discounted future cash flows from operations, which relies on a single scenario reflecting the best estimate of projected cash flows. The estimated fair value of the Homeowner Services Group reporting unit exceeded its carrying value by more than 156%. The estimated fair value of the Keystone reporting unit exceeded its carrying value by approximately 11%. If further decline in the fair value were to occur, the Keystone reporting unit would be at risk of failing step one of the two-step, quantitative assessment. Additional discussion regarding our goodwill can be found in Note 7—Goodwill and Other Intangible Assets in the Notes to the Consolidated Financial Statements.

Impairment of Long-Lived Assets

Long-lived assets include land, buildings, equipment and long-term investments. Other than land and long-term investments, our long-lived assets are depreciated over their estimated useful lives and are reviewed for impairment whenever changes in circumstances indicate that their carrying value may not be recoverable. Such circumstances include, but are not limited to, a significant decrease in the market value of the long-lived asset, a change in the asset's expected useful life or physical condition, a history of operating or cash flow losses associated with the use of the asset or a significant adverse change in the manner in which the asset is being used or is planned to be used. When such events or changes occur, we estimate the fair value of the long-lived asset from future cash flows expected to result from its use and, if applicable, the eventual disposition of the asset, and compare it to the carrying value of the asset. If the carrying value of the long-lived asset is greater than its fair value, an impairment loss is recognized equal to the amount by which carrying value exceeds fair value. Key variables that must be estimated include assumptions regarding sales volume, rates, operating costs, labor and other benefit costs, capital additions, assumed discount rates and other economic factors. These variables require

significant management judgment and include inherent uncertainties, since they are forecasting future events. A variation in the assumptions used could lead to a different conclusion regarding the realizability of a long-lived asset and, thus, could have a significant effect on our Consolidated Financial Statements.

The long-lived assets of our regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable. The fair values of our long-term investments are dependent on the financial performance and solvency of the entities in which we invest, as well as volatility inherent in the external markets, all of which are factors that we consider when assessing the potential impairment of these investments. If such long-term investments are considered impaired, an impairment loss is recognized equal to the amount by which the investment's carrying value exceeds its fair value.

Revenue Recognition

Revenue for our regulated utilities is recognized as water and wastewater services are delivered to customers and includes amounts billed to customers on a cycle basis, and unbilled amounts which are based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for our regulated utilities as of December 31, 2017 and 2016 was $152 million and $161 million, respectively.

Revenues of the Market-Based Businesses are recognized as services are rendered. For certain construction contracts, revenue is recognized over the contract term based on a calculated ratio that compares the costs incurred to date during the period to the total estimated costs for the entire contract. Losses on contracts are recognized during the period in which the loss first becomes probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenue. Billings in excess of revenues recognized on construction contracts are recorded as other current liabilities on the balance sheet until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue for our Market-Based Businesses as of December 31, 2017 and 2016 was $60 million and $102 million, respectively.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of net operating loss carryforwards.

In accordance with applicable authoritative guidance, we account for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

We evaluate the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and our intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. We also assess our ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. We record valuation allowances for deferred tax assets when we conclude it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically Accounting Standards Codification ("ASC") Topic 740, Income Taxes the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment, the Company's deferred taxes were re-measured based upon the new tax rate. For our regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or liability and may be subject to refund to customers. For our unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

The staff of the SEC has recognized the complexity of reflecting the impacts of changes in tax law, more specifically the TCJA, and on December 22, 2017, issued guidance in Staff Accounting Bulletin 118 ("SAB 118") which clarifies accounting for income taxes under ASC 740 if information is not yet available or complete and provides for up to a one year period in which to complete the required analyses and accounting. SAB 118 describes three scenarios or buckets associated with a company's status of accounting for the TCJA:(1) a company is complete with its accounting for certain effects of tax reform, (2) a company is able to determine a reasonable estimate for certain effects of tax reform and records that estimate as a provisional amount, or (3) a company is not able to determine a reasonable estimate and therefore continues to apply ASC 740, based on the provisions of the tax laws that were in effect immediately prior to the TCJA being enacted. The significant assumptions considered and evaluated by the Company relating to our accounting for the TCJA, include, but are not limited to, the:

- recording of regulatory liabilities from the re-measurement of the Company's deferred income taxes, and the uncertainty of regulatory treatment in our various jurisdictions in which the Company currently operates;
- allocation of interest deductibility at the parent to our subsidiaries;
- bonus depreciation deductions for assets constructed and placed in service during the period September 28, 2017 through December 31, 2017; and
- normalization periods for our re-measured deferred taxes.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, our forecasted financial condition and results of operations, failure to successfully implement tax planning strategies, recovery of taxes through the regulatory process for our Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. While we believe the resulting tax balances as of December 31, 2017 and 2016 are appropriately accounted for in accordance with the applicable authoritative guidance, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to our Consolidated Financial Statements and such adjustments could be material. See Note 13—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

We maintain noncontributory defined benefit pension plans covering eligible employees of our regulated utility and shared service operations. See Note 14—Employee Benefits in the Notes to Consolidated Financial Statements for further information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due;
- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs we record currently;
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement;
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care; and
- Mortality—Management retained the Society of Actuaries RP-2014 mortality table but adopted the new MP-2017 generational projection scale to project mortality improvements after 2006.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. We use an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. The yield curve was developed for a portfolio containing the majority of United States-issued AA-graded non-callable (or callable with make-whole provisions) corporate bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The discount rate for determining pension benefit obligations was 3.75%, 4.28% and 4.66% at December 31, 2017, 2016 and 2015, respectively. The discount rate for determining other post-retirement benefit obligations was 3.73%, 4.26% and 4.67% at December 31, 2017, 2016 and 2015, respectively.

In selecting an EROA, we considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The long-term EROA assumption used in calculating pension cost was 6.49% for 2017, 7.02% for 2016, and 6.91% for 2015. The weighted average EROA assumption used in calculating other postretirement benefit costs was 5.09% for 2017, 5.37% for 2016 and 4.92% for 2015.

The asset allocations for the Company's U.S. pension plan by asset category were as follows:

Asset Category	Target Allocation 2018	Percentage of Plan Assets as of December 31, 2017	2016
Equity securities	43%	44%	49%
Fixed income	50%	49%	42%
Real Estate	5%	5%	7%
Real estate investment trusts ("REITs")	2%	2%	2%
Total	100%	100%	100%

During 2017, the Company reduced the risk of its investments in the pension plan by reducing its exposure to equities from 60% to 50%, and increasing its long duration fixed-income allocation from 40% to 50%. This new structure is designed to reduce the plan's funded status volatility. It is also intended to reduce the pension plan's exposure to interest rates since a higher proportion of long duration fixed-income securities that have a duration similar to that of the pension liabilities should reduce interest rate risk associated with the plan's liabilities.

The Company's other postretirement benefit plans are partially funded. The asset allocations for the Company's other postretirement benefit plans by asset category were as follows:

Asset Category	Target Allocation 2018	Percentage of Plan Assets as of December 31, 2017	2016
Equity securities	38%	35%	33%
Fixed income	62%	65%	67%
REITs	—	—	—
Total	100%	100%	100%

The Company's target asset allocation, is evaluated periodically through asset liability studies. The studies consider projected cash flows of maturity liabilities, projected asset class returns and risks, correlations, and the Company's risk tolerance. In 2017, the Company conducted new asset-liability studies for the Post-Retirement Plans and approved new asset allocations for both plans. The Post-Retirement Medical Bargaining plan increased its equity allocation from 20% to 30% due to rising medical claims and medical inflation and the long duration portion of the portfolio was reduced from 80% to 70%. The Post-Retirement Non-Bargaining Medical Plan's allocation was adjusted to reduce volatility and interest rate risk in a manner similar to that described above with respect to the pension plan, reducing the equity allocation from 70% to 60% and increasing the fixed-income allocation from 30% to 40%. The Post-Retirement Medical Non-Bargaining plan's equity allocation was reduced due to the cap on benefits for some non-union participants and the resultant reduction in the plan's liabilities. These changes will be implemented in 2018.

The investments of the pension and postretirement welfare plan trusts include debt and equity securities held either directly or through commingled funds. The trustee for the Company's defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets. Additionally, the Company independently verifies the assets values. Approximately 41% of the assets are valued using the quoted market price for the assets in an active market at the measurement date, while 59% of the assets are valued using other inputs.

In selecting a rate of compensation increase, we consider past experience in light of movements in inflation rates. Our rate of compensation increase was 3.02% for 2017, 3.07% for 2016 and 3.10% for 2015.

In selecting health care cost trend rates, we consider past performance and forecasts of increases in health care costs. As of January 1, 2017, our health care cost trend rate assumption used to calculate the periodic cost

was 7% in 2017 gradually declining to 5% in 2021 and thereafter. As of December 31, 2017, the Company is projecting that medical inflation will continue to persist for longer than expected and, it will ultimately trend down to 4.50%, but not until 2026.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. The health care cost trend rate is based on historical rates and expected market conditions. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

Change in Actuarial Assumption (Dollars in millions)	Impact on Other Postretirement Benefit Obligation as of December 31, 2017	Impact on 2017 Total Service and Interest Cost Components
Increase assumed health care cost trend by 1%	$ 73	$ 5
Decrease assumed health care cost trend by 1%	$ (60)	$ (4)

We will use a discount rate and EROA of 3.75% and 5.95%, respectively, for estimating our 2018 pension costs. Additionally, we will use a discount rate and expected blended return based on weighted assets of 3.73% and 4.77%, respectively, for estimating our 2018 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase our pension expense. Our 2017 and 2016 pension and postretirement benefit costs were $56 million and $54 million, respectively. The Company expects to make pension and postretirement benefit contributions to the plan trusts up to $45 million in 2018, and $47 million, $47 million, $51 million and $58 million in 2019, 2020, 2021 and 2022, respectively. Actual amounts contributed could change significantly from these estimates. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards. As these assumptions change from period to period, recorded pension and postretirement benefit amounts and funding requirements could also change.

Accounting for Contingencies

We record loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limed to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. We provide disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. We provide estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement of contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. For a discussion of contingencies, see Note 15—Commitments and Contingencies in the Notes to Consolidated Financial Statements.

New Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk associated with changes in commodity prices, equity prices and interest rates. We are exposed to risks from changes in interest rates as a result of our issuance of variable and fixed rate debt and commercial paper. We manage our interest rate exposure by limiting our variable rate exposure and by monitoring the effects of market changes in interest rates. We also have the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps, swaptions and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2017, a hypothetical increase of interest rates by 1% associated with our short-term borrowings would result in an $8 million increase in short-term interest expense.

The Company has two forward starting swap agreements with an aggregate notional amount of $200 million to reduce interest rate exposure on debt expected to be issued in 2018. The forward starting swap agreements terminate in November 2018 and have an average fixed rate of 2.59%. When entering into forward starting interest rate swaps, the Company is subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the forward starting interest rate swaps. We manage market risk by matching terms of the swaps with the critical terms of the expected debt issuance. The fair value of the forward starting swaps at December 31, 2017 was in a loss position of $3 million. A hypothetical 1% adverse change in interest rates would result in a decrease in the fair value of our forward starting swaps of approximately $32 million at December 31, 2017.

Our risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on our results of operations, financial position and cash flows.

The market price of our common stock may experience fluctuations, which may be unrelated to our operating performance. In particular, our stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for us to access the capital markets in the future through additional offerings of our common stock, regardless of our financial performance, and such difficulty may preclude us from being able to take advantage of certain business opportunities or meet business obligations.

We are exposed to credit risk through our water, wastewater and other water-related services provided by our Regulated Businesses and Market-Based Businesses. Our Regulated Businesses serve residential, commercial, industrial and other customers while our Market-Based Businesses engage in business activities with developers, government entities and other customers. Our primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. Our credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. Our credit portfolio is diversified with no significant customer or industry concentrations. In addition, our Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company’s retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company’s pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. We aim to reduce risk through asset diversification and by investing in long duration fixed-income

securities that have a duration similar to that of our pension liabilities, seeking to hedge some of the interest rate sensitivity of our liabilities. That way, if interest rates fall and liabilities increase, we expect that the fixed-income assets in our retirement trust will also increase in value. We also expect our risk to be reduced through our ability to recover pension and other benefit costs through rates.

We are also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which we operate. The credit quality of our customer accounts receivable is dependent on the economy and the ability of our customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, our ability to fully recover operating expense, recover our investment and provide an appropriate return on invested capital made in our Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, of comprehensive income, of cash flows, and of changes in stockholders' equity for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 20, 2018

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2017	December 31, 2016
ASSETS		
Property, plant and equipment	$ 21,716	$ 19,954
Accumulated depreciation	(5,470)	(4,962)
Property, plant and equipment, net	16,246	14,992
Current assets:		
Cash and cash equivalents	55	75
Restricted funds	27	20
Accounts receivable, net	272	269
Unbilled revenues	212	263
Materials and supplies	41	39
Other	113	118
Total current assets	720	784
Regulatory and other long-term assets:		
Regulatory assets	1,061	1,289
Goodwill	1,379	1,345
Other	76	72
Total regulatory and other long-term assets	2,516	2,706
TOTAL ASSETS	$ 19,482	$ 18,482

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2017	December 31, 2016
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 182,508,564 and 181,798,555 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,432	6,388
Accumulated deficit	(723)	(873)
Accumulated other comprehensive loss	(79)	(86)
Treasury stock, at cost (4,064,010 and 3,701,867 shares, respectively)	(247)	(213)
Total common stockholders' equity	5,385	5,218
Long-term debt	6,490	5,749
Redeemable preferred stock at redemption value	8	10
Total long-term debt	6,498	5,759
Total capitalization	11,883	10,977
Current liabilities:		
Short-term debt	905	849
Current portion of long-term debt	322	574
Accounts payable	195	154
Accrued liabilities	630	609
Taxes accrued	33	31
Interest accrued	73	63
Other	167	112
Total current liabilities	2,325	2,392
Regulatory and other long-term liabilities:		
Advances for construction	271	300
Deferred income taxes, net	1,551	2,596
Deferred investment tax credits	22	23
Regulatory liabilities	1,664	403
Accrued pension expense	384	419
Accrued postretirement benefit expense	40	87
Other	66	67
Total regulatory and other long-term liabilities	3,998	3,895
Contributions in aid of construction	1,276	1,218
Commitments and contingencies (See Note 15)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 19,482	$ 18,482

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2017	2016	2015
Operating revenues	$ 3,357	$ 3,302	$ 3,159
Operating expenses:			
Operation and maintenance	1,378	1,504	1,404
Depreciation and amortization	492	470	440
General taxes	259	258	243
Gain on asset dispositions and purchases	(16)	(10)	(3)
Total operating expenses, net	2,113	2,222	2,084
Operating income	1,244	1,080	1,075
Other income (expense):			
Interest, net	(342)	(325)	(308)
Loss on early extinguishment of debt	(7)	—	—
Other, net	17	15	15
Total other income (expense)	(332)	(310)	(293)
Income before income taxes	912	770	782
Provision for income taxes	486	302	306
Net income attributable to common stockholders	$ 426	$ 468	$ 476
Basic earnings per share: (a)			
Net income attributable to common stockholders	$ 2.39	$ 2.63	$ 2.66
Diluted earnings per share: (a)			
Net income attributable to common stockholders	$ 2.38	$ 2.62	$ 2.64
Weighted-average common shares outstanding:			
Basic	178	178	179
Diluted	179	179	180
Dividends declared per common share	$ 1.66	$ 1.50	$ 1.36

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2017	2016	2015
Net income attributable to common stockholders	$ 426	$ 468	$ 476
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $2, $(14) and $(6) in 2017, 2016 and 2015, respectively	7	(21)	(10)
Pension amortized to periodic benefit cost:			
Actuarial loss, net of tax of $5, $4 and $3 in 2017, 2016 and 2015, respectively	7	6	5
Foreign currency translation adjustment	(1)	—	(1)
Unrealized (loss) gain on cash flow hedges, net of tax of $(4), $10 and $0 in 2017, 2016 and 2015, respectively	(6)	17	—
Net other comprehensive income (loss)	7	2	(6)
Comprehensive income attributable to common stockholders	$ 433	$ 470	$ 470

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 426	$ 468	$ 476
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	492	470	440
Deferred income taxes and amortization of investment tax credits	462	295	312
Provision for losses on accounts receivable	29	27	32
Gain on asset dispositions and purchases	(16)	(10)	(3)
Pension and non-pension postretirement benefits	57	54	61
Other non-cash, net	(54)	(36)	(53)
Changes in assets and liabilities:			
Receivables and unbilled revenues	21	(31)	(84)
Pension and non-pension postretirement benefit contributions	(48)	(53)	(57)
Accounts payable and accrued liabilities	38	60	80
Other assets and liabilities, net	64	(20)	(9)
Impact of Freedom Industries settlement activities	(22)	65	—
Net cash provided by operating activities	1,449	1,289	1,195
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,434)	(1,311)	(1,160)
Acquisitions, net of cash acquired	(177)	(204)	(197)
Proceeds from sale of assets and securities	15	9	5
Removal costs from property, plant and equipment retirements, net	(76)	(84)	(107)
Net cash used in investing activities	(1,672)	(1,590)	(1,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	1,395	553	565
Repayments of long-term debt	(896)	(144)	(132)
Proceeds from short-term borrowings with maturities greater than three months	—	—	60
Repayments of short-term borrowings with maturities greater than three months	—	—	(60)
Net short-term borrowings with maturities less than three months	55	221	180
Proceeds from issuances of employee stock plans and direct stock purchase plan	26	26	39
Advances and contributions for construction, net of refunds of $22, $31 and $23 in 2017, 2016 and 2015, respectively	28	16	26
Debt issuance costs	(13)	(5)	(7)
Make-whole premium on early debt redemption	(34)	—	—
Dividends paid	(289)	(261)	(239)
Anti-dilutive share repurchases	(54)	(65)	(126)
Taxes paid related to employee stock plans	(11)	(13)	(16)
Net cash provided by (used in) financing activities	207	328	290
Net (decrease) increase in cash and cash equivalents and restricted funds	(16)	27	26
Cash and cash equivalents and restricted funds at beginning of period	99	72	46
Cash and cash equivalents and restricted funds at end of period	$ 83	$ 99	$ 72
Cash paid during the year for:			
Interest, net of capitalized amount	$ 338	$ 327	$ 309
Income taxes, net of refunds of $0, $0 and $1 in 2017, 2016 and 2015, respectively	$ 30	$ 16	$ 12
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 204	$ 171	$ 224
Acquisition financed by treasury stock	$ 33	$ —	$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Stockholders' Equity

(In millions)

	Common Stock		Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2014	179.5	$ 2	$ 6,302	$ (1,296)	$ (82)	(0.2)	$ (11)	$ 4,915
Cumulative effect of change in accounting principle	—	—	—	(8)	—	—	—	(8)
Net income attributable to common stockholders	—	—	—	476	—	—	—	476
Direct stock reinvestment and purchase plan	0.1	—	4	—	—	—	—	4
Employee stock purchase plan	0.1	—	5	—	—	—	—	5
Stock-based compensation activity	1.2	—	40	(1)	—	(0.1)	(6)	33
Repurchases of common stock	—	—	—	—	—	(2.3)	(126)	(126)
Net other comprehensive income (loss)	—	—	—	—	(6)	—	—	(6)
Dividends	—	—	—	(244)	—	—	—	(244)
Balance as of December 31, 2015	180.9	$ 2	$ 6,351	$ (1,073)	$ (88)	(2.6)	$ (143)	$ 5,049
Net income attributable to common stockholders	—	—	—	468	—	—	—	468
Direct stock reinvestment and purchase plan	0.1	—	5	—	—	—	—	5
Employee stock purchase plan	0.1	—	7	—	—	—	—	7
Stock-based compensation activity	0.7	—	25	(1)	—	(0.1)	(5)	19
Repurchases of common stock	—	—	—	—	—	(1.0)	(65)	(65)
Net other comprehensive income (loss)	—	—	—	—	2	—	—	2
Dividends	—	—	—	(267)	—	—	—	(267)
Balance as of December 31, 2016	181.8	$ 2	$ 6,388	$ (873)	$ (86)	(3.7)	$ (213)	$ 5,218
Cumulative effect of change in accounting principle	—	—	—	21	—	—	—	21
Net income attributable to common stockholders	—	—	—	426	—	—	—	426
Direct stock reinvestment and purchase plan	0.1	—	8	—	—	—	—	8
Employee stock purchase plan	0.1	—	7	—	—	—	—	7
Stock-based compensation activity	0.5	—	22	—	—	(0.1)	(7)	15
Acquisitions via treasury stock	—	—	7	—	—	0.4	27	34
Repurchases of common stock	—	—	—	—	—	(0.7)	(54)	(54)
Net other comprehensive income (loss)	—	—	—	—	7	—	—	7
Dividends	—	—	—	(297)	—	—	—	(297)
Balance as of December 31, 2017	182.5	$ 2	$ 6,432	$ (723)	$ (79)	(4.1)	$ (247)	$ 5,385

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is the holding company for regulated and market-based subsidiaries throughout the United States and Ontario, Canada. The Company's primary business involves the ownership of utilities that provide water and wastewater services in 16 states in the United States, collectively referred to as the "Regulated Businesses." The Company also operates market-based businesses within four, non-reportable operating segments, collectively referred to as the "Market-Based Businesses." These businesses include the Military Services Group, which conducts operation and maintenance ("O&M") of water and wastewater systems on military bases; the Homeowner Services Group, which primarily provides water and sewer line protection plans for homeowners; the Contract Operations Group, which conducts O&M of water and wastewater facilities for municipalities and industrial customers; and Keystone Clearwater Solutions, LLC ("Keystone"), which provides water services for natural gas exploration and production companies.

Note 2: Significant Accounting Policies

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The Company uses the equity method to report its investments in joint ventures where it holds up to a 50% voting interest and cannot exercise control over the operations and policies of the investments. Under the equity method, the Company records its interests as an investment and its percentage share of the investee's earnings as income or losses.

In July 2015, the Company acquired a 95% interest in Water Solutions Holdings, LLC, including its wholly-owned subsidiary, Keystone Clearwater Solutions, LLC (collectively referred to as "Keystone"). The outside stockholders' interest, which is redeemable at the option of the minority owners, is recognized as redeemable noncontrolling interest. The redeemable noncontrolling interest amounted to $7 million as of December 31, 2017 and 2016, and is included in other long-term liabilities in the accompanying Consolidated Balance Sheets. The net income in 2017 and the net loss in 2016, respectively, attributable to the noncontrolling interest was not significant. The Company has entered into an agreement whereby it has the option to acquire from the minority owners, and the minority owners have the option to sell to the Company, the remaining five percent interest at fair value, upon the occurrence of certain triggering events, or at the defined date of December 31, 2018.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates, assumptions and judgments that affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, judgments and assumptions. The Company considers its critical accounting estimates to include: the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities; assumptions used in impairment testing of goodwill and other long-lived assets, including regulatory assets; revenue recognition and the estimates used in the calculation of unbilled revenue; accounting for income taxes and the recently enacted Tax Cuts and Jobs Act (the "TCJA"); benefit plan assumptions; and the judgments and estimates used in the determining loss contingencies. The Company's critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, goodwill, income taxes, benefit plan assumptions and contingency-related obligations.

Regulation

The Company's regulated utilities are subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions ("PUCs" or "Regulators"). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, capital expenditures, O&M expenses, taxes, transactions and affiliate relationships, reorganizations and mergers, and acquisitions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility's revenue, an incurred cost that would otherwise be charged as an expense by a non-regulated entity, could be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the authoritative accounting principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 6—Regulatory Assets and Liabilities.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction ("AFUDC"). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of property, plant and equipment is depreciated using the straight-line average remaining life method. The Company's regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets' remaining useful lives.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to $346 million and $345 million as of December 31, 2017 and 2016, respectively.

Nonutility property consists primarily of buildings and equipment utilized by the Company for internal operations. This property is stated at cost, net of accumulated depreciation, which calculated using the straight-line method over the useful lives of the assets.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consists primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified in the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

The following table provides a reconciliation of the cash and cash equivalents, and restricted funds as presented in the Consolidated Balance Sheets, to the sum of such amounts presented in the Consolidated Statements of Cash Flows for the years ended December 31:

	2017	2016
Cash and cash equivalents	$ 55	$ 75
Restricted funds	27	20
Restricted funds included in other long-term assets	1	4
Cash and cash equivalents, and restricted funds as presented in the Consolidated Statements of Cash Flows	$ 83	$ 99

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers on a cycle basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are market-based trade accounts receivable and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on market-based construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due and previous loss history. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 5—Allowance for Uncollectible Accounts.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized, but is tested for impairment at least annually or on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Goodwill is primarily associated with the acquisition of the Company by RWE Aktiengesellschaft in 2003 and the acquisition of Keystone in 2015, and has been assigned to reporting units based on the fair values at the date of the acquisitions. The reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The Market-Based Businesses is comprised of four non-reportable reporting units. The Company's annual impairment test is performed as of November 30 of each year, in conjunction with the completion of the Company's annual business plan. The Company assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If based on qualitative factors, the fair value of the reporting unit is more likely than not greater than the carrying amount, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment, but determines that it is more likely than not that its fair value is less than its carrying amount, a quantitative two-step, fair value-based test is performed.

The first step compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. If the estimated fair value of any reporting unit is less than such reporting unit's carrying value, then the second step is performed to measure the amount of the impairment loss (if any) for such reporting unit.

The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation accounting guidance in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount for the reporting unit, an impairment loss is recorded as a reduction to goodwill and a charge to operating expense. Application of the goodwill impairment test requires management judgment, including the identification of reporting units and determining the fair value of the reporting unit. Management estimates fair value using a combination of a discounted cash flow analysis and market multiples analysis. Significant assumptions used in these fair value analyses include discount and growth rates and projected terminal values.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate. However, if experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 7—Goodwill and Other Intangible Assets.

Long-Lived Assets

Long-lived assets include land, buildings, equipment and long-term investments. Long-lived assets, other than investments and land, are depreciated over their estimated useful lives, and are reviewed for impairment whenever changes in circumstances indicate the carrying value of the asset may not be recoverable. Such circumstances would include items such as a significant decrease in the market value of a long-lived asset, a significant adverse change in the manner the asset is being used or planned to be used or in its physical condition, or a history of operating or cash flow losses associated with the use of the asset. In addition, changes in the expected useful life of these long-lived assets may also be an impairment indicator. When such events or changes occur, the Company estimates the fair value of the asset from future cash flows expected to result from the use and, if applicable, the eventual disposition of the asset and compares that to the carrying value of the asset. If the carrying value is greater than the fair value, an impairment loss is recorded.

The Company believes the assumptions and other considerations used to evaluate the carrying value of long-lived assets are appropriate. However, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

The key variables to determine fair value include assumptions regarding sales volume, rates, operating costs, labor and other benefit costs, capital additions, assumed discount rates and other economic factors. These variables require significant management judgment and include inherent uncertainties, since they are forecasting future events. If such assets are considered impaired, an impairment loss is recognized equal to the amount by which the asset's carrying value exceeds its fair value.

The long-lived assets of the regulated utility subsidiaries are tested on a separate entity basis for impairment testing as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company holds other investments including investments in privately held companies and investments in joint ventures accounted for using the equity method. The Company's investments in privately held companies and joint ventures are classified as other long-term assets in the accompanying Consolidated Balance Sheets.

The fair values of long-term investments are dependent on the financial performance and solvency of the entities in which the Company invests, as well as volatility inherent in the external markets. If such assets are considered impaired, an impairment loss is recognized equal to the amount by which the asset's carrying value exceeds its fair value.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2017 and 2016 in the accompanying Consolidated Balance Sheets are estimated refunds of $23 million and $21 million, respectively. Those amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $27 million, $27 million and $26 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Recognition of Revenues

Revenues of the regulated utility subsidiaries are recognized as water and wastewater services are provided, and include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the meter reading associated with the latest customer bill to the end of the accounting period. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

The Company has agreements with the U.S. government to operate and maintain water and wastewater systems at various military bases pursuant to 50-year contracts ("military agreements"). These contracts also include construction components that are accounted for separately from the O&M components. Nine of the military agreements are subject to periodic price redetermination adjustments and modifications for changes in circumstance. The remaining four agreements are subject to annual price adjustments under a mechanism similar to price redeterminations. Additionally, the Company has agreements ranging in length from one to 25 years with municipalities and businesses in various industries to operate and maintain water and wastewater systems ("O&M agreements"). Revenues from operations and management services are recognized as services are provided. See Note 15—Commitments and Contingencies.

Revenues from construction projects are recognized over the contract term based on the costs incurred to date during the period compared to the total estimated costs over the entire contract. Losses on contracts are recognized during the period in which the loss first becomes probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenue. Billings in excess of revenues recognized on construction contracts are recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined.

Income Taxes

American Water and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 13—Income Taxes.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net in the accompanying Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other income (expenses) in the accompanying Consolidated Statements of Operations. AFUDC is summarized in the following table for the years ended December 31:

	2017	2016	2015
Allowance for other funds used during construction	$ 19	$ 15	$ 13
Allowance for borrowed funds used during construction	8	6	8

Environmental Costs

The Company's water and wastewater operations and the operations of its Market-Based Businesses are subject to U.S. federal, state, local and foreign requirements relating to environmental protection, and as such, the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued, on an undiscounted basis, when it is probable that these costs will be incurred and can be reasonably estimated. A conservation agreement entered into by a subsidiary of the Company with the National Oceanic and Atmospheric Administration in 2010 and amended in 2017 required the Company to, among other provisions, implement certain measures to protect the steelhead trout and its habitat in the Carmel River watershed in the State of California. The Company agreed to pay $1 million annually commencing in 2010 with the final payment being made in 2021. Remediation costs accrued amounted to $6 million and less than $1 million as of December 31, 2017 and 2016, respectively.

Derivative Financial Instruments

The Company uses derivative financial instruments for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying

exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company may designate the derivative as a hedge of the fair value of a recognized asset or liability (fair-value hedge) or a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

Changes in the fair value of a fair-value hedge, along with the gain or loss on the underlying hedged item, are recorded in current-period earnings. The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities in the accompanying Consolidated Statements of Cash Flows.

New Accounting Standards

The following recently issued accounting standards have been adopted by the Company as of December 31, 2017:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Simplification of Employee Share-Based Payment Accounting	Simplified accounting and disclosure requirements for share-based payment awards. The updated guidance addresses simplification in areas such as: (i) the recognition of excess tax benefits and deficiencies; (ii) the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows; (iii) election of an accounting policy for forfeitures; and (iv) the amount an employer can withhold to cover income taxes and still qualify for equity classification.	January 1, 2017	Modified retrospective for the recognition of excess tax benefits and deficiencies; full retrospective for the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows	The cumulative effect of adoption increased retained earnings by $21 million, with an offsetting decrease to deferred income taxes, net. Adoption also increased cash flows from operating activities and decreased cash flows from financing activities by $17 million, $13 million and $16 million for the years ended December 31, 2017, 2016 and 2015, respectively, on the Consolidated Statements of Cash Flows.

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Classification of Certain Cash Receipts and Cash Payments on the Statement of Cash Flows	Provides guidance on the presentation and classification in the Consolidated Statements of Cash Flows for the following cash receipts and payments: (i) debt prepayment or debt extinguishment costs; (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (iii) contingent consideration payments made after a business combination; (iv) proceeds from the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (vi) distributions received from equity method investees; (vii) beneficial interests in securitization transactions and (viii) separately identifiable cash flows and application of the predominance principle.	December 31, 2017	Retrospective	Adoption resulted in the change in the presentation of a $34 million make-whole premium payment from operating activities to financing activities on the Consolidated Statements of Cash Flows for the year ended December 31, 2017, as compared to the third quarter 2017 Form 10-Q. See Note 10-Long-Term Debt in the Notes to Consolidated Financial Statements for further information regarding this make-whole premium payment.
Presentation of Changes in Restricted Cash on the Statement of Cash Flows	Updates the accounting and disclosure guidance for the classification and presentation of changes in restricted cash on the Consolidated Statements of Cash Flows. The amended guidance requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents and amounts described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will now be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.	December 31, 2017	Retrospective	Adoption resulted in the inclusion of restricted funds and related changes in the total of cash and cash equivalents, and restricted funds on the Consolidated Statements of Cash Flows. Total restricted funds amounted to $28 million, $24 million and $27 million as of December 31, 2017, 2016, 2015, respectively. The adoption also resulted in an increase in net cash used in investing activities previously reported of $3 million for the year ended December 31, 2016, and a decrease of $6 million for the year ended December 31, 2015.

The following recently issued accounting standards have not yet been adopted by the Company as of December 31, 2017:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements (or Other Significant Matters)
Revenue from Contracts with Customers	Changes the criteria for recognizing revenue from a contract with a customer. Replaces existing guidance on revenue recognition, including most industry specific guidance. The objective is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows.	January 1, 2018	Full or modified retrospective	The adoption will not result in material impact to the Consolidated Financial Statements as there are no material changes to the timing or recognition of revenue. The Company plans to adopt using the modified retrospective method.
Clarifying the Definition of a Business	Updated the accounting guidance to clarify the definition of a business with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions, or disposals, of assets or businesses.	January 1, 2018	Prospective	The update could result in more acquisitions being accounted for as asset acquisitions. The effect on the Company's Consolidated Financial Statements will be dependent on the acquisitions that close subsequent to adoption.
Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	Updated authoritative guidance requires the service cost component of net periodic benefit cost to be presented in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. The remaining components of net periodic benefit cost are required to be presented separately from the service cost component in an income statement line item outside of operating income. Also, the guidance only allows for the service cost component to be eligible for capitalization. The updated guidance does not impact the accounting for net periodic benefit costs as regulatory assets or liabilities.	January 1, 2018	Retrospective for the presentation of net periodic benefit cost components in the income statement; prospective for the capitalization of net periodic benefit costs components in total assets.	The Company expects to reclassify net periodic benefit costs, other than the service cost component of approximately $9 million, $5 million and $5 million for the years ended December 31, 2017, 2016 and 2015, respectively, to Other, net in its Consolidated Statements of Operations. The Company expects to record the non-service cost component probable of recovery from (or payable to) customers as a regulatory asset (or regulatory liability) accordingly.
Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	Permits entities to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act to retained earnings.	January 1, 2019; early adoption permitted	In the period of adoption or retrospective.	The Company is evaluating the impact on the Consolidated Financial Statements, as well as the timing of adoption.

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements (or Other Significant Matters)
Accounting for Leases	Updated the accounting and disclosure guidance for leasing arrangements. Under this guidance, a lessee will be required to recognize the following for all leases, excluding short-term leases, at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the guidance, lessor accounting is largely unchanged.	January 1, 2019; early adoption permitted	Modified retrospective	The Company is evaluating the effect on its Consolidated Financial Statements.
Accounting for Hedging Activities	Updated the accounting and disclosure guidance for hedging activities, which allows for more financial and nonfinancial hedging strategies to be eligible for hedge accounting. Under this guidance, a qualitative effectiveness assessment is permitted for certain hedges if an entity can reasonably support an expectation of high effectiveness throughout the term of the hedge, provided that an initial quantitative test establishes that the hedge relationship is highly effective. Also, for cash flow hedges determined to be highly effective, all changes in the fair value of the hedging instrument will be recorded in other comprehensive income with a subsequent reclassification to earnings when the hedged item impacts earnings.	January 1, 2019; early adoption permitted	Modified retrospective for adjustments related to the measurement of ineffectiveness for cash flow hedges; prospective for the updated presentation and disclosure requirements.	The Company does not expect the adoption to have a material impact on its Consolidated Financial Statements based on the hedges held as of the balance sheet date. The Company is evaluating the timing of adoption.
Simplification of Goodwill Impairment Testing	Updated authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in the update, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying value exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	January 1, 2020; early adoption permitted	Prospective	The Company is evaluating the impact on its Consolidated Financial Statements, as well as the timing of adoption.

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements (or Other Significant Matters)
Measurement of Credit Losses	Updated the accounting guidance on reporting credit losses for financial assets held at amortized cost basis and available-for-sale debt securities. Under this guidance, expected credit losses are required to be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. Also, this guidance requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down.	January 1, 2020; early adoption permitted	Modified retrospective	The Company is evaluating the impact on its Consolidated Financial Statements, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the accompanying Consolidated Financial Statements and notes to conform to the current presentation.

Note 3: Acquisitions

During 2017, the Company closed on 18 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $210 million. This included the acquisition of the wastewater system assets of the Municipal Authority of the City of McKeesport, Pennsylvania, on December 18, 2017. Assets acquired, principally utility plant, totaled $207 million. Liabilities assumed totaled $23 million, including $9 million of contributions in aid of construction and assumed debt of $7 million. The Company recorded additional goodwill of $29 million associated with four of its acquisitions, which is reported in its Regulated Businesses segment. Of this total goodwill, approximately $1 million is expected to be deductible for tax purposes. Additionally, the Company recognized a bargain purchase gain of $3 million associated with three of the acquisitions. The preliminary purchase price allocations related to these acquisitions will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

During 2016, the Company closed on 15 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $199 million. This included the acquisition of substantially all of the wastewater collection and treatment assets of the Sewer Authority of the City of Scranton, Pennsylvania (“Scranton”) in December 2016. Assets acquired, principally utility plant, totaled $194 million. Liabilities assumed totaled $30 million, including $14 million of contributions in aid of construction and assumed debt of $6 million. During 2016, the Company recorded additional goodwill of $43 million associated with five of its acquisitions, which is reported in its Regulated Businesses segment. Of this total goodwill, approximately $31 million is expected to be deductible for tax purposes. Additionally, during 2017 the Company recorded a measurement period adjustment of $5 million, increasing the goodwill recognized from the Scranton acquisition.

During 2015, the Company closed on 14 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $64 million. Assets acquired, principally utility plant, totaled $90 million. Liabilities assumed totaled $26 million, including $10 million of contributions in aid of construction and assumed debt of $1 million. The Company recorded additional goodwill of $3 million associated with four of its acquisitions, which is reported in its Regulated Businesses segment and is expected to be fully deductible for tax purposes. The Company also recognized a bargain purchase gain of $3 million associated with five of its acquisitions, of which $1 million was deferred as a regulatory liability.

During 2015, the Company also closed on the Keystone acquisition, which is included as part of the Market-Based Businesses, for a total purchase price of $133 million, net of cash received. The fair value of identifiable assets acquired and liabilities assumed was $56 million and $7 million, respectively, and principally included the acquisition of nonutility property of $25 million, accounts receivable and unbilled revenues of $18 million and intangible assets of $12 million. The purchase price allocation, which is based on the estimated fair value of net assets acquired, resulted in the Company recording redeemable noncontrolling interest of $7 million and additional goodwill of $91 million. This goodwill is expected to be fully deductible for tax purposes.

The pro forma impact of our acquisitions was not material to our Consolidated Statements of Operations for the years ended December 31, 2017 and 2016.

Note 4: Property, Plant and Equipment

The following table summarizes the major classes of property, plant and equipment by category as of December 31:

	2017	2016	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 151	$ 147		
Sources of supply	798	734	2 to 127 Years	45 years
Treatment and pumping facilities	3,356	3,218	3 to 101 Years	37 years
Transmission and distribution facilities	9,583	9,043	9 to 156 Years	72 years
Services, meters and fire hydrants	3,754	3,504	5 to 90 Years	30 years
General structures and equipment	1,458	1,343	1 to 156 Years	16 years
Waste treatment, pumping and disposal	557	457	3 to 106 Years	37 years
Waste collection	904	637	5 to 97 Years	55 years
Construction work in progress	585	419		
Total utility plant	21,146	19,502		
Nonutility property	570	452	3 to 50 years	6 years
Total property, plant and equipment	$21,716	$19,954		

Property, plant and equipment depreciation expense amounted to $460 million, $435 million, and $405 million for the years ended December 31, 2017, 2016 and 2015, respectively and was included in depreciation and amortization expense in the accompanying Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 3.07%, 3.14% and 3.13% for years December 31, 2017, 2016 and 2015, respectively.

Note 5: Allowance for Uncollectible Accounts

The following table summarizes the changes in the Company's allowances for uncollectible accounts for the years ended December 31:

	2017	2016	2015
Balance as of January 1	$ (40)	$ (39)	$ (35)
Amounts charged to expense	(29)	(27)	(32)
Amounts written off	30	29	31
Recoveries of amounts written off	(3)	(3)	(3)
Balance as of December 31	$ (42)	$ (40)	$ (39)

Note 6: Regulatory Assets and Liabilities

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. The majority of the regulatory assets earn a return. The following table summarizes the composition of regulatory assets as of December 31:

	2017	2016
Deferred pension expense	$ 285	$ 310
Income taxes recoverable through rates	—	241
Removal costs recoverable through rates	269	251
San Clemente Dam project costs	89	91
Regulatory balancing accounts	113	110
Debt expense	67	66
Make-whole premium on early extinguishment of debt	27	—
Purchase premium recoverable through rates	57	58
Deferred tank painting costs	42	39
Other	112	123
Total Regulatory Assets	$ 1,061	$ 1,289

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $270 million and $300 million as of December 31, 2017 and 2016, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

The Company has recorded a regulatory asset for the additional revenues expected to be realized when the tax effects of temporary differences previously flowed through to customers, reverse. These temporary differences are primarily related to the difference between book and tax depreciation on property placed in service before the adoption by the regulatory authorities of full normalization for rate making purposes. Full normalization requires no flow through of tax benefits to customers. The regulatory asset for income taxes recoverable through rates is net of the reduction expected in future revenues as deferred taxes previously provided, attributable to the difference between the state and federal income tax rates under prior law and the current statutory rates, reverse over the average remaining service lives of the related assets.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

San Clemente Dam project costs represent costs incurred and deferred by the Company's California subsidiary pursuant to its efforts to investigate alternatives to strengthen or remove the dam due to potential earthquake and flood safety concerns. In June 2012, the California Public Utilities Commission ("CPUC") issued a decision authorizing implementation of a project to reroute the Carmel River and remove the San Clemente Dam. The project includes the Company's California subsidiary, the California State Conservancy and the National Marine Fisheries Services. Under the order's terms, the CPUC has authorized recovery for pre-construction costs, interim dam safety measures and environmental costs and construction costs. The authorized costs are to be recovered via a surcharge over a twenty-year period which began in October 2012. The unrecovered balance of project costs incurred, including cost of capital, net of surcharges totaled $89 million and $91 million as of December 31, 2017 and 2016, respectively. Surcharges collected were $7 million and $4 million for the years ended December 31, 2017 and 2016, respectively. In the current general rate case in California, there is a pending request to reset the twenty-year recovery period to begin on January 1, 2018 and to set the annual recovery amount.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt expense, are deferred and amortized to the extent they will be recovered through future service rates.

As a result of American Water Capital Corp.'s prepayment of the 5.62% Series C Senior Notes due December 21, 2018 ("Series C Senior Notes") and 5.77% Series D Senior Notes due December 21, 2021 ("Series D Senior Notes") and payment of a make-whole premium amount to the holders thereof of $34 million, the Company recorded a $6 million charge resulting from the early extinguishment of debt at the parent company. Substantially all of the early debt extinguishment costs allocable to the Company's utility subsidiaries were recorded as regulatory assets that the Company believes are probable of recovery in future rates. Approximately $1 million of the early debt extinguishment costs allocable to the Company's utility subsidiaries was amortized in 2017.

Purchase premium recoverable through rates is primarily the recovery of the acquisition premiums related to an asset acquisition by the Company's California Utility subsidiary during 2002, and acquisitions in 2007 by the Company's New Jersey Utility subsidiary. As authorized for recovery by the California and New Jersey PUCs, these costs are being amortized to depreciation and amortization in the Consolidated Statements of Operations through November 2048.

Tank painting costs are generally deferred and amortized to operations and maintenance expense in the Consolidated Statements of Operations on a straight-line basis over periods ranging from two to fifteen years, as authorized by the regulatory authorities in their determination of rates charged for service.

Other regulatory assets include certain construction costs for treatment facilities, property tax stabilization, employee-related costs, deferred other postretirement benefit expense, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate-making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. The following table summarizes the composition of regulatory liabilities as of December 31:

	2017	2016
Income taxes recovered through rates	$ 1,242	$ —
Removal costs recovered through rates	315	316
Pension and other postretirement benefit balancing accounts	48	55
Other	59	32
Total Regulatory Liabilities	$ 1,664	$ 403

Income taxes recovered through rates relate to deferred taxes that will likely be refunded to the Company's customers. On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the maximum U.S. federal corporate income tax rate from 35% to 21% as of January 1, 2018. The TCJA created significant

excess deferred income taxes that the Company and its regulatory jurisdictions believe should be refunded to customers. Since these are significant refundable amounts, the Company believes it is probable these amounts will be refunded to customers through future rates, and as such the amounts are recorded to a regulatory liability.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful life that are recovered through customer rates over the life of the associated assets. In December 2008, the Company's utility subsidiary in New Jersey, at the direction of the New Jersey Board of Public Utilities, began to depreciate $48 million of the total balance into depreciation and amortization expense in the Consolidated Statements of Operations via straight line amortization through November 2048.

Pension and other postretirement benefit balancing accounts represent the difference between costs incurred and costs authorized by the PUCs that are expected to be refunded to customers.

Other regulatory liabilities include legal settlement proceeds, deferred gains and various regulatory balancing accounts.

Note 7: Goodwill and Other Intangible Assets

Goodwill

The following table summarizes changes in the carrying amount of goodwill for the years ended December 31, 2017 and 2016:

	Regulated Businesses		Market-Based Businesses		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2016	$3,415	$ (2,332)	$327	$ (108)	$3,742	$ (2,440)	$1,302
Goodwill from acquisitions	43	—	—	—	43	—	43
Balance as of December 31, 2016	$3,458	$ (2,332)	$327	$ (108)	$3,785	$ (2,440)	$1,345
Goodwill from acquisitions	29	—	—	—	29	—	29
Measurement period adjustments	5	—	—	—	5	—	5
Balance as of December 31, 2017	$3,492	$ (2,332)	$327	$ (108)	$3,819	$ (2,440)	$1,379

In 2017, the Company acquired aggregate goodwill of $29 million associated with four of its acquisitions in the Regulated Businesses segment. Additionally, during 2017 the Company recorded a measurement period adjustment of $5 million, increasing the goodwill recognized from the Scranton acquisition completed in December 2016.

In 2016, the Company acquired aggregate goodwill of $43 million associated with five of its acquisitions in the Regulated Businesses segment.

The Company completed its annual impairment assessment of goodwill as of November 30, 2017 and 2016. It elected to apply the qualitative assessment of factors for goodwill in our Regulated Businesses and in Military Services Group and Contract Operations Group reporting units within the Market-Based Businesses for both November 30, 2017 and 2016. The Company also elected to apply the qualitative assessment of factors for annual impairment assessment of goodwill as of November 30, 2016 to its Homeowners Services Group. Based on the work performed, the Company determined that no qualitative factors were present that would indicate the estimated fair values of the above stated reporting units were less than the respective carrying values.

At November 30, 2017, the Company completed step one of the two-step test for its Homeowner Services Group and Keystone reporting units. The Company also completed a step one test for the Keystone reporting unit

at November 30, 2016. Based on those valuations, the Company concluded that there were no impairments to its goodwill. The Company used an income approach valuation technique which estimates the discounted future cash flows of operations. The discounted cash flow analysis relies on a single scenario reflecting the best estimate of projected cash flows. Significant assumptions were used in estimating the fair values, including the discount rate, growth rate and terminal value. At November 30, 2017, the estimated fair value of the Homeowner Services Group reporting unit exceeded its carrying value by more than 156%, and the estimated fair value of the Keystone reporting unit exceeded its carrying value by approximately 11%. If further decline in the fair value were to occur, the Keystone reporting unit would be at risk of failing step one of the goodwill impairment test.

There can be no assurances that the Company will not be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to the performance of the Company's reporting units. These market events could include a decline over a period of time of the Company's stock price, a decline over a period of time in valuation multiples of comparable water utilities and reporting unit companies, the lack of an increase in the Company's market price consistent with its peer companies, decreases in control premiums or continued downward pressure on commodity prices. A decline in the forecasted results in our business plan, such as changes in rate case results or capital investment budgets or changes in our interest rates, could also result in an impairment charge. In regards to the Keystone goodwill, adverse developments in market conditions, including prolonged depression of natural gas or oil prices or other factors that negatively impact our forecast operating results, cash flows or key assumptions in the future could result in an impairment charge of a portion or all of the goodwill balance.

Other Intangible Assets

Included in other long-term assets at December 31, 2017 and 2016, is a $8 million and $10 million, respectively, customer relationship intangible resulting from the Keystone acquisition. This intangible is being amortized on a straight-line basis over a period of eight years.

Note 8: Stockholders' Equity

Common Stock

Under the dividend reinvestment and direct stock purchase plan (the "DRIP"), stockholders may reinvest cash dividends and purchase additional Company common stock, up to certain limits, through the plan administrator without commission fees. Shares purchased by participants through the DRIP may be newly-issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2017, there were approximately 4.3 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allowed the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time. The Company repurchased 0.7 million shares and 1.0 million shares of common stock in the open market at an aggregate cost of $54 million and $65 million under this program for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017, there were 6.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2017 and 2016:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Foreign Currency Translation	Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2016	$ (126)	$ 1	$ 36	$ 2	$ (1)	$ (88)
Other comprehensive gain (loss) before reclassification	(21)	—	—	—	17	(4)
Amounts reclassified from accumulated other comprehensive income	—	—	6	—	—	6
Net other comprehensive income (loss)	(21)	—	6	—	17	2
Ending balance as of December 31, 2016	$ (147)	$ 1	$ 42	$ 2	$ 16	$ (86)
Other comprehensive gain (loss) before reclassification	7	—	—	(1)	(6)	—
Amounts reclassified from accumulated other comprehensive income	—	—	7	—	—	7
Net other comprehensive income (loss)	7	—	7	(1)	(6)	7
Ending balance as of December 31, 2017	$ (140)	$ 1	$ 49	$ 1	$ 10	$ (79)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been capitalized as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 14—Employee Benefits.

The amortization of the loss on cash flow hedge is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Note 9: Stock Based Compensation

The Company has granted stock options and restricted stock unit ("RSU") awards to non-employee directors, officers and other key employees of the Company pursuant to the terms of its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The total aggregate number of shares of common stock that may be issued under the 2007 Plan is 15.5 million. As of December 31, 2017, 7.7 million shares were available for grant under the 2007 Plan.

On May 12, 2017, the Company's stockholders approved the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2017, 7.2 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents, which may be granted only on stock units or other stock-based awards. Following the approval of the 2017 Omnibus Plan, no additional awards are to be granted under the 2007 Plan. However, shares will still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of stock options and restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock options and RSUs awards at the date of the grant is amortized through expense over the three-year service period. All awards granted in 2017, 2016 and 2015 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. The following table presents stock-based compensation expense recorded in operation and maintenance expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2017	2016	2015
Stock options	$ 1	$ 2	$ 2
RSUs	9	8	8
Nonqualified employee stock purchase plan	1	1	1
Stock-based compensation	11	11	11
Income tax benefit	(4)	(4)	(4)
Stock-based compensation expense, net of tax	$ 7	$ 7	$ 7

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2017, 2016 and 2015.

The Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for RSUs. For each award, throughout the requisite service period, the Company recognizes the tax benefits, which have been included in deferred income tax assets, related to compensation costs. The tax deductions in excess of the benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Options

There were no grants of stock options to employees in 2017. In 2016 and 2015, the Company granted non-qualified stock options to certain employees under the 2007 Plan. The stock options vest ratably over the three-year service period beginning on January 1 of the year of the grant and have no performance vesting conditions. Expense is recognized using the straight-line method and is amortized over the requisite service period.

The following table summarizes the weighted-average assumptions used in the Black-Scholes option-pricing model for grants and the resulting weighted-average grant date fair value per share of stock options granted for the years ended December 31:

	2017	2016	2015
Dividend yield	—%	2.09%	2.35%
Expected volatility	—%	15.89%	17.64%
Risk-free interest rate	—%	1.15%	1.48%
Expected life (years)	0	4.0	4.4
Exercise price	$ —	$ 65.25	$ 52.75
Grant date fair value per share	$ —	$ 6.61	$ 6.21

The Company used the actual historical experience of exercises or expirations of the 2009 grant to determine the expected stock option life. The Company began granting stock options at the time of its initial public offering in April 2008. Expected volatility is based on a weighted average of historic volatilities of traded common stock of peer companies (regulated water companies) over the expected term of the stock options and historic volatilities of the Company's common stock during the period it has been publicly traded. The dividend yield is based on the Company's expected dividend payments and the stock price on the date of grant. The risk-free interest rate is the market yield on U.S. Treasury strips with maturities similar to the expected term of the stock options. The exercise price of the stock options is equal to the fair market value of the underlying stock on the date of option grant. Stock options vest over periods ranging from one to three years and have a maximum term of seven years from the effective date of the grant.

The table below summarizes stock option activity for the year ended December 31, 2017:

	Shares (In thousands)	Weighted-Average Exercise Price (Per share)	Weighted-Average Remaining Life (Years)	Aggregate Intrinsic Value
Options outstanding as of December 31, 2016	987	$ 50.65	4.3	$ 21
Granted	—	—		
Forfeited or expired	(14)	62.10		
Exercised	(262)	42.29		
Options outstanding as of December 31, 2017	711	$ 53.51	3.67	$ 29
Exercisable as of December 31, 2017	452	$ 48.83	3.15	$ 21

As of December 31, 2017, $1 million of total unrecognized compensation cost related to nonvested stock options is expected to be recognized over the remaining weighted-average period of 1.0 years. The total fair value of stock options vested was $2 million, $1 million and $3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The following table summarizes additional information regarding stock options exercised during the years ended December 31:

	2017	2016	2015
Intrinsic value	$ 10	$ 18	$ 22
Exercise proceeds	11	15	30
Income tax benefit realized	3	6	7

RSUs

During 2017, 2016 and 2015, the Company granted RSUs, both with and without performance conditions, to certain employees under the 2007 Plan. RSUs generally vest over periods ranging from one to three years.

During 2017, the Company granted RSUs to non-employee directors under the 2017 Omnibus Plan, and during 2016 and 2015, these awards were granted under the 2007 Plan. The RSUs vested on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of: (i) 15 months after grant date, subject to any deferral election by the director; or (ii) the participant's separation from service. Because these RSUs vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

The RSUs without performance conditions are valued at the market value of the closing price of the Company's common stock on the date of the grant and vest ratably over the three-year service period beginning January 1 of the year of the grant. These RSUs are amortized through expense over the requisite service period using the straight-line method.

The table below summarizes activity of RSUs without performance conditions for the year ended December 31, 2017:

	Shares (In thousands)	Weighted Average Grant Date Fair Value (Per share)
Non-vested total as of December 31, 2016	74	$ 56.43
Granted	61	73.43
Vested	(42)	56.52
Forfeited	(4)	69.09
Non-vested total as of December 31, 2017	89	$ 67.48

RSUs with performance conditions vest ratably over the three-year performance period beginning January 1 of the year of the grant (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of internal performance measures and, separately, certain market thresholds over the Performance Period.

RSUs granted with internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. RSUs granted with market conditions are valued using a Monte Carlo model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. The following table presents the weighted-average assumptions used in the Monte Carlo simulation and the weighted-average grant date fair values of RSUs granted for the years ended December 31:

	2017	2016	2015
Expected volatility	17.40%	15.90%	14.93%
Risk-free interest rate	1.53%	0.91%	1.07%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$ 72.81	$77.16	$62.10

The grant date fair value of restricted stock awards that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

The table below summarizes activity of RSUs with performance conditions for the year ended December 31, 2017:

	Shares (In thousands)	Weighted Average Grant Date Fair Value (Per share)
Non-vested total as of December 31, 2016	309	$ 55.94
Granted	186	63.10
Vested	(204)	46.10
Forfeited	(10)	70.50
Non-vested total as of December 31, 2017	281	$ 67.33

As of December 31, 2017, $6 million of total unrecognized compensation cost related to the nonvested RSUs, with and without performance conditions, is expected to be recognized over the weighted-average remaining life of 1.5 years. The total fair value of RSUs, with and without performance conditions, vested was $16 million, $14 million and $12 million for the years ended December 31, 2017, 2016 and 2015, respectively.

If dividends are paid with respect to shares of the Company's common stock before the RSUs are distributed, the Company credits a liability for the value of the dividends that would have been paid if the RSUs were shares of Company common stock. When the RSUs are distributed, the Company pays the participant a lump sum cash payment equal to the value of the dividend equivalents accrued. The Company accrued dividend equivalents totaling less than $1 million, $1 million and $1 million to accumulated deficit in the accompanying Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2017, 2016 and 2015, respectively.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") through which employee participants may use payroll deductions to acquire Company common stock at the lesser of 90% of the fair market value of the common stock at either the beginning or the end of a three-month purchase period. On February 15, 2017, the Board adopted the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, which was approved by stockholders on May 12, 2017 and took effect on August 5, 2017. The prior plan was terminated as to new purchases of Company stock effective August 31, 2017. As of December 31, 2017, there were 2.0 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2017, 2016 and 2015, the Company issued 93 thousand, 93 thousand and 98 thousand shares, respectively, under the ESPP.

Note 10: Long-Term Debt

The Company obtains long-term debt primarily to fund capital expenditures of the Regulated Businesses and to refinance debt of the parent company. The following table summarizes the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2017	2016
Long-term debt of American Water Capital Corp. (a)					
Senior notes—fixed rate	2.95%-8.27%	4.47%	2018-2047	$ 5,292	$ 4,786
Private activity bonds and government funded debt—fixed rate	1.79%-6.25%	5.44%	2021-2040	193	194
Long-term debt of other American Water subsidiaries					
Private activity bonds and government funded debt—fixed rate (b)	0.00%-6.20%	4.59%	2018-2041	712	695
Mortgage bonds—fixed rate	3.92%-9.71%	7.41%	2019-2039	607	636
Mandatorily redeemable preferred stock	8.47%-9.75%	8.60%	2019-2036	10	12
Capital lease obligations	12.66%	12.66%	2026	1	1
Term loan	4.81%-5.31%	5.15%	2021	9	—
Long-term debt				6,824	6,324
Unamortized debt premium, net (c)				9	17
Unamortized debt issuance costs				(13)	(9)
Interest rate swap fair value adjustment				—	1
Less current portion of long-term debt				(322)	(574)
Total long-term debt				$ 6,498	$ 5,759

(a) This indebtedness is considered "debt" for purposes of a support agreement between American Water and American Water Capital Corp. ("AWCC"), the Company's wholly owned finance subsidiary, which serves as a functional equivalent of a guarantee by American Water of AWCC's payment obligations under such indebtedness.

(b) Includes $5 million and $6 million of variable rate debt as of December 31, 2017 and 2016, respectively, with variable-to-fixed interest rate swaps ranging between 3.93% and 4.72%. This debt was assumed via an acquisition in 2013.

(c) Primarily fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds, term loans and $709 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2017.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, the Company from issuing debt secured by the Company's assets. Certain long term notes require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2017 was 0.59 to 1.00. In addition, the Company has $922 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions.

The following table presents future sinking fund payments and debt maturities:

Year	Amount
2018	$ 322
2019	170
2020	51
2021	299
2022	123
Thereafter	5,859

The following table details the issuances of long-term debt in 2017:

Company	Type	Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	2.95%-3.75%	2027-2047	$ 1,350
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.44%	2020-2037	31
Other American Water subsidiaries	Mortgage bonds—fixed rate	3.92%	2020	3
Other American Water subsidiaries	Term loan	4.62%-5.12%	2021	11
Total issuances				$ 1,395

The Company also assumed debt of $7 million as a result of acquisitions during 2017, of which $1 million was paid subsequent to an acquisition closing during 2017. The remaining $6 million of assumed debt has fixed interest rates of 0.00% and 3.92%, maturing in 2024 and 2020, respectively. The Company incurred debt issuance costs of $17 million related to the above issuances.

The following table details the long-term debt that was retired through sinking fund provisions, optional redemption or payment at maturity during 2017:

Company	Type	Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	5.62%-6.09%	2017-2021	$ 844
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.38%	2017-2041	15
Other American Water subsidiaries	Mortgage bonds—fixed rate	7.08%	2017	33
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Other American Water subsidiaries	Term loan	4.31%-5.31%	2021	1
Total retirements and redemptions				$ 896

On August 10, 2017, AWCC completed a $1.35 billion debt offering which included the sale of $600 million aggregate principal amount of its 2.95% Senior Notes due 2027, and $750 million aggregate principal amount of its 3.75% Senior Notes due in 2047. At the closing of the offering, AWCC received, after deduction of underwriting discounts and debt issuance costs, $1.33 billion. On September 13, 2017, AWCC used proceeds from the offering to prepay $138 million of its outstanding 5.62% Series C Senior Notes due

December 21, 2018 (“Series C Senior Notes”) and $181 million of it’s outstanding 5.77% Series D Senior Notes due December 21, 2021 (“Series D Senior Notes”). AWCC also used the proceeds of this offering to repay commercial paper obligations and for general corporate purposes, and subsequently, on October 15, 2017, to repay at maturity, $524 million of its 6.085% Senior Notes.

As a result of AWCC’s prepayment of the Series C Senior Notes and Series D Senior Notes, and payment of a make-whole premium amount to the holders thereof of $34 million, the Company recorded a $6 million charge resulting from the early extinguishment of debt at the parent company. Substantially all of the early debt extinguishment costs allocable to the Regulated Businesses were recorded as regulatory assets for the Company believes they are probable of recovery in future rates. Approximately $1 million of the early debt extinguishment costs allocable to the Regulated Businesses were amortized in 2017.

Interest net, includes interest income of approximately $14 million, $14 million and $13 million in 2017, 2016 and 2015, respectively.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as swaps. The Company reduces exposure to interest rates by managing commercial paper and debt maturities. The Company also does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, credit-worthy financial institutions having long-term credit ratings of “A” or better.

On August 7, 2017, coinciding with AWCC’s $1.35 billion debt offering, the Company terminated four existing forward starting swap agreements with an aggregate notional amount of $300 million, realizing a gain of $19 million to be amortized through interest, net, over 30 years. On February 8, 2017, and December 11, 2017, the Company entered into forward starting swap agreements, each with a notional amount of $100 million, to reduce interest rate exposure on debt expected to be issued in 2018. These forward starting swap agreements terminate in November 2018, and have an average fixed rate of 2.59%. The Company has designated these forward starting swap agreements as cash flow hedges, with their fair values recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net, over the term of the new debt.

In October 2017, the Company terminated its interest-rate swap to hedge $100 million of its 6.085% Senior Notes maturing in the fourth quarter of 2017. The Company paid variable interest of six-month LIBOR plus 3.422%, and had designated this interest rate swap as a fair value hedge, accounted for at fair value with gains or losses, as well as the offsetting gains or losses on the hedged item, recognized in interest, net. The net gain and loss recognized by the Company was de minimis for the periods ended December 31, 2017 and 2016.

The Company has employed interest rate swaps to fix the interest cost on a portion of its variable-rate debt with an aggregate notional amount of $5 million. The Company has designated these instruments as economic hedges, accounted for at fair value, with gains or losses recognized in interest, net. The gain recognized by the Company was de minimis for the years ended 2017 and 2016.

The following table provides a summary of the gross fair value for the Company's derivative asset and liabilities, as well as the location of the asset and liability balances in the Consolidated Balance Sheets as of December 31:

Derivative Instruments	Derivative Designation	Balance Sheet Classification	2017	2016
Asset derivative:				
Forward starting swaps . . .	Cash flow hedge	Other current assets	$ —	$ 27
Interest rate swap	Fair value hedge	Other current assets	—	1
Liability derivative:				
Interest rate swap	Fair value hedge	Current portion of long-term debt	—	1
Forward starting swaps . . .	Cash flow hedge	Other current liabilities	3	—

Note 11: Short-Term Debt

Short-term debt consists of commercial paper and credit facility borrowings totaling $905 million and $849 million as of December 31, 2017 and 2016, respectively. As of December 31, 2017 there were no borrowings outstanding with maturities greater than three months.

AWCC has a revolving credit facility with $1.75 billion in aggregate total commitments from a diversified group of financial institutions with a termination date of June 2020. On March 22, 2016, AWCC and its lenders agreed to increase total commitments under AWCC's revolving credit facility to the $1.75 billion, from $1.25 billion. Other terms and conditions of the existing facility remained unchanged. The agreement also includes a $150 million sublimit for letters of credit and a $100 million sublimit for swing loans. On June 30, 2015, AWCC and its lenders extended the termination date of revolving credit facility from October 2018, to June 2020. This amended and restated agreement also allowed AWCC to request to further extend the term of the credit facility for up to two one-year periods. Issuance costs related to the increased lending commitments will be amortized over the remaining life of the credit facility and is included in interest, net in the accompanying Consolidated Statements of Operations. Interest on borrowings are based on a LIBOR-based rate, plus an applicable margin.

Also, the Company acquired a line of credit facility as part of the Keystone acquisition. This facility has a maximum availability of up to $12 million, dependent on a collateral base calculation. Based on the collateral assets at December 31, 2017, $7 million was available to borrow. At December 31, 2017, there were no outstanding borrowings on this line of credit facility. Borrowings under the facility are due upon demand with interest being paid monthly. Interest accrues each day at a rate per annum equal to 2.75% above the greater of the one month or one day LIBOR. The borrowing base under the facility allows for financing up to the greater of the note or 80% of eligible accounts receivable.

The following table summarizes the Company's aggregate credit facility commitments, letter of credit sub-limit under our revolving credit facility and commercial paper limit, as well as the available capacity for each as of:

	Credit Facility Commitment	Available Credit Facility Capacity	Letter of Credit Sublimit (a)	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
December 31, 2017	$ 1,762	$ 1,673	$ 150	$ 66	$ 1,600	$ 695
December 31, 2016	1,766	1,668	150	62	1,600	751

(a) Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. The Company had $84 million and $88 million of outstanding letters of credit as of December 31, 2017 and 2016, respectively, all of which were issued under the revolving credit facility noted above.

The following table summarizes the short-term borrowing activity for AWCC for the years ended December 31:

	2017	2016
Average borrowings	$ 779	$ 850
Maximum borrowings outstanding	1,135	1,016
Weighted average interest rates, computed on daily basis	1.24%	0.78%
Weighted average interest rates, as of December 31	1.61%	0.98%

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2017 was 0.59 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under the Company's credit facility.

As part of the normal course of business, the Company routinely enters contracts for the purchase and sale of water, energy, fuels and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance. Depending on the Company's net position with the counterparty, the demand could be for the posting of collateral. In the absence of expressly agreed provisions that specify the collateral that must be provided, the obligation to supply the collateral requested will be a function of the facts and circumstances of the Company's situation at the time of the demand. If the Company can reasonably claim that it is willing and financially able to perform its obligations, it may be possible that no collateral would need to be posted or that only an amount equal to two or three months of future payments should be sufficient. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Note 12: General Taxes

The following table summarizes the components of general tax expense for the years ended December 31:

	2017	2016	2015
Gross receipts and franchise	$ 110	$ 106	$ 99
Property and capital stock	105	106	98
Payroll	31	32	31
Other general	13	14	15
Total general taxes	$ 259	$ 258	$ 243

Note 13: Income Taxes

The following table summarizes the components of income tax expense for the years ended December 31:

	2017	2016	2015
Current income taxes			
State	$ 25	$ 20	$ 10
Federal	(1)	1	—
Total current income taxes	$ 24	$ 21	$ 10
Deferred income taxes			
State	$ 50	$ 24	$ 32
Federal	413	258	265
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	462	281	296
Provision for income taxes	$ 486	$ 302	$ 306

The following is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2017	2016	2015
Income tax at statutory rate	35.0%	35.0%	35.0%
Increases (decreases) resulting from:			
State taxes, net of federal taxes	5.4%	3.8%	3.6%
Tax Cuts and Jobs Act	13.7%	—%	—%
Other, net	(0.8)%	0.4%	0.5%
Effective tax rate	53.3%	39.2%	39.1%

On December 22, 2017, President Trump signed into law the TCJA. Substantially all of the provisions of the TCJA are effective for taxable years beginning after December 31, 2017. The TCJA includes significant changes to the Internal Revenue Code of 1986, as amended (the "Code"), including amendments which significantly change the taxation of individuals and business entities, and includes specific provisions related to regulated public utilities. The more significant changes that impact the Company included in the TCJA are reductions in the corporate federal income tax rate from 35% to 21%, and several technical provisions including, among others, limiting the utilization of net operating losses ("NOLs") arising after December 31, 2017 to 80% of taxable income with an indefinite carryforward. The specific provisions related to regulated public utilities in the TCJA generally allow for the continued deductibility of interest expense, the elimination of full expensing for tax purposes of certain property acquired after September 27, 2017 and continue certain rate normalization requirements for accelerated depreciation benefits. Non-regulated segments of the Company's business will be able to take advantage of the full expensing provisions of the TCJA.

Changes in the Code from the TCJA had a material impact on our financial statements in 2017. Under GAAP, specifically Accounting Standards Codification ("ASC") Topic 740, Income Taxes, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred income tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment, the Company's deferred income taxes were re-measured based upon the new tax rate. For the Company's regulated entities, substantially all of the change in deferred income taxes are recorded as either an offset to a regulatory asset or liability because changes are expected to be recovered by or refunded to customers. For the Company's unregulated operations, the change in deferred income taxes is recorded as a non-cash re-measurement adjustment to earnings.

The staff of the U.S. Securities and Exchange Commission (the "SEC") has recognized the complexity of reflecting the impacts of the TCJA, and on December 22, 2017 issued guidance in Staff Accounting Bulletin 118 ("SAB 118") which clarifies accounting for income taxes under ASC 740 if information is not yet available or complete and provides for up to a one year period in which to complete the required analyses and accounting. SAB 118 describes three scenarios or buckets associated with a company's status of accounting for income tax reform: (1) a company is complete with its accounting for certain effects of tax reform, (2) a company is able to determine a reasonable estimate for certain effects of tax reform and records that estimate as a provisional amount, or (3) a company is not able to determine a reasonable estimate and therefore continues to apply ASC 740, based on the provisions of the tax laws that were in effect immediately prior to the TCJA being enacted. The Company has made a reasonable estimate for the measurement and accounting of certain effects of the TCJA which have been reflected in the December 31, 2017 financial statements. The re-measurement of deferred income taxes at the new federal tax rate increased the 2017 deferred income tax provision by $125 million for the year ending December 31, 2017. Additionally, the accumulated deferred income tax liability decreased by $1.39 billion and regulatory liabilities increased by $1.51 billion, respectively, as of December 31, 2017.

As provided for under SAB 118, the Company has not recorded the impact for certain items under TCJA for which it has not yet been able to gather, prepare and analyze the necessary information in reasonable detail to complete the ASC 740 accounting. For these items, which include the impact of TCJA on state income taxes, the current and deferred income taxes were recognized and measured based on the provisions of the tax laws that were in effect immediately prior to the TCJA being enacted. The current and deferred state taxes are $25 million and $50 million as of December 31, 2017, respectively. The determination of the impact of the income tax effects of these items and the items reflected as provisional amounts will require additional analysis of historical records and further interpretation of the TCJA from yet to be issued U.S. Treasury regulations which will require more time, information and resources than currently available to the Company.

The following table provides the components of the net deferred tax liability as of December 31:

	2017	2016
Deferred tax assets		
Advances and contributions	$ 395	$ 540
Tax losses and credits	256	301
Regulatory income tax assets	327	—
Pension and other postretirement benefits	96	173
Other	49	90
Total deferred tax assets	1,123	1,104
Valuation allowance	(13)	(6)
Total deferred tax assets, net of allowance	$ 1,110	$ 1,098
Deferred tax liabilities		
Property, plant and equipment	$ 2,489	$ 3,339
Deferred pension and other postretirement benefits	69	126
Other	103	229
Total deferred tax liabilities	2,661	3,694
Total deferred tax liabilities, net of deferred tax assets	$ (1,551)	$ (2,596)

As of December 31, 2017 and 2016, the Company recognized federal NOL carryforwards of $1.05 billion and $1.23 billion, respectively. The Company believes the federal NOL carryforwards are more likely than not to be recovered and require no valuation allowance. The Company's federal NOL carryforwards will begin to expire in 2028.

As of December 31, 2017 and 2016, the Company had state NOLs of $322 million and $625 million, respectively, a portion of which are offset by a valuation allowance because the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards will begin to expire in 2018 through 2037.

As of December 31, 2017 and 2016, the Company had an insignificant amount of Canadian NOL carryforwards and capital loss carryforwards for federal income tax purposes.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2012. The Company has state income tax examinations in progress and does not expect material adjustments to result.

The following table summarizes the changes in the Company's gross liability, excluding interest and penalties, for unrecognized tax benefits:

Balance as of January 1, 2016	$233
Increases in current period tax positions	10
Decreases in prior period measurement of tax positions	(74)
Balance as of December 31, 2016	$169
Increases in current period tax positions	8
Decreases in prior period measurement of tax positions	(71)
Balance as of December 31, 2017	$106

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The gross liability was reduced primarily as a result of the Section 481(a) adjustment allocated for the current year when the Company filed the accounting method change with its 2015 tax return. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. If the Company sustains all of its positions as of December 31, 2017, an unrecognized tax benefit of $10 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an insignificant amount of interest and penalties related to its tax positions as of December 31, 2017 and 2016.

The following table summarizes the changes in the Company's valuation allowance:

Balance as of January 1, 2015	$10
Decreases in current period tax positions	(2)
Balance as of December 31, 2015	$ 8
Decreases in current period tax positions	(2)
Balance as of December 31, 2016	$ 6
Increases in current period tax positions	7
Balance as of December 31, 2017	$13

Note 14: Employee Benefits

Pension and Other Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001,

except for specific eligible groups specified in the Plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental non-qualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional contributions if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 6—Regulatory Assets and Liabilities. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed and commingled funds including equities and fixed income securities.

The investment policy guidelines of the pension plan require that the fixed income portfolio has an overall weighted-average credit rating of A or better by Standard & Poor's. None of the Company's securities are included in pension or other postretirement benefit plan assets. The investment policies' objectives are focused on reducing the volatility of the plans' funded status over a long term horizon.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of 2017, the fair values and asset allocations of the pension plan assets include the American Water Pension Plan, the New York Water Service Corporation Pension Plan, and the Shorelands Water Company, Inc. Pension Plan.

The fair values and asset allocations of pension plan assets as of December 31, 2017 and 2016, respectively, by asset category were as follows:

Asset Category	2018 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2017
Cash		$ 7	$ 7	$ —	$ —	—
Equity securities:	50%					
U.S. large cap		344	344	—	—	21%
U.S. small cap		84	79	5	—	5%
International		295	2	149	144	18%
Real estate fund		86	—	—	86	5%
REITs		26	—	26	—	2%
Fixed income securities:	50%					
U.S. Treasury securities and government bonds		200	180	20	—	12%
Corporate bonds		519	—	519	—	31%
Mortgage-backed securities		1	—	1	—	—
Municipal bonds		31	—	31	—	2%
Long duration bond fund		8	8	—	—	1%
Guarantee annuity contracts		48	—	—	48	3%
Total	100%	$1,649	$ 620	$ 751	$ 278	100%

Asset Category	2017 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2016
Cash		$ 10	$ 10	$ —	$ —	—
Equity Securities:	60%					
U.S. large cap		316	316	—	—	22%
U.S. small cap		134	134	—	—	9%
International		259	—	259	—	18%
Real estate fund		101	—	—	101	7%
REITs		24	—	24	—	2%
Fixed income securities:	40%					
U.S. Treasury securities and government bonds		150	114	36	—	11%
Corporate bonds		391	—	391	—	27%
Mortgage-backed securities		3	—	3	—	—
Long duration bond fund		7	7	—	—	1%
Guarantee annuity contracts		48	—	9	39	3%
Total	100%	$1,443	$ 581	$ 722	$ 140	100%

The following tables present a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2017 and 2016, respectively:

	Level 3
Balance as of January 1, 2017	$ 140
Actual return on assets	2
Purchases, issuances and settlements, net	136
Balance as of December 31, 2017	$ 278

	Level 3
Balance as of January 1, 2016	$ 136
Actual return on assets	8
Purchases, issuances and settlements, net	(4)
Balance as of December 31, 2016	$ 140

The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns. Strategies to address the goal of ensuring sufficient assets to pay benefits include target allocations to a broad array of asset classes and, within asset classes, strategies are employed to provide adequate returns, diversification and liquidity.

In 2012, the Company implemented a de-risking strategy for the American Water Pension Plan after conducting an asset-liability study to reduce the volatility of the funded status of the plan. As part of the de-risking strategy, the Company revised the asset allocations to increase the matching characteristics of fixed-income assets relative to liabilities. The fixed income portion of the portfolio was designed to match the bond-like and long-dated nature of the postretirement liabilities. In 2017, the Company further increased its exposure to liability-driven investing and increased its fixed-income allocation to 50%, up from 40%, in an effort to further decrease the funded status volatility of the plan and hedge the portfolio from movements in interest rates.

In 2012, the Company also implemented a de-risking strategy for the medical bargaining trust within the plan to minimize volatility. In 2017, the Company conducted a new asset-liability study that indicated medical trend inflation that outpaced the Consumer Price Index by more than 2% for the last 20 years. Given continuously rising medical costs, the Company decided to increase the equity exposure of the portfolio to 30%, up from 20%, while reducing the fixed-income portion of the portfolio from 80% to 70%. The Company also conducted an asset-liability study for the Post-Retirement Non-Bargaining Medical Plan. Its allocation was adjusted to make it more conservative, reducing the equity allocation from 70% to 60% and increasing the fixed-income allocation from 30% to 40%. The Post-Retirement Medical Non-Bargaining plan's equity allocation was reduced due to the cap on benefits for some non-union participants and resultant reduction in the plan's liabilities. These changes will take place in 2018.

The Company engages third party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g. fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. Voluntary Employees' Beneficiary Association ("VEBA") Trust assets include the American Water Post-Retirement Medical Benefits Bargaining Plan, the New York Water Service Corporation Post-Retirement Medical Benefits Bargaining Plan, the American Water Post-Retirement Medical Benefits Non-Bargaining Plan, and the American Water Life Insurance Trust.

The fair values and asset allocations of postretirement benefit plan assets as of December 31, 2017 and 2016, respectively, by asset category, were as follows:

Asset Category	2018 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2017
Bargain VEBA:						
Cash		$ 18	$ 18	$ —	$ —	—
Equity securities:	30%					
U.S. large cap		44	44	—	—	10%
International		51	51	—	—	12%
Fixed income securities:	70%					
U.S. Treasury securities and government bonds		48	21	27	—	11%
Corporate bonds		233	—	233	—	55%
Municipal bonds		26	—	26	—	6%
Long duration bond fund		4	4	—	—	1%
Future and option contracts (a)		2	2	—	—	5%
Total bargain VEBA	100%	$426	$ 140	$ 286	$ —	100%
Non-bargain VEBA:						
Cash		$ 1	$ 1	$ —	$ —	—
Equity securities:	60%					
U.S. large cap		53	53	—	—	37%
U.S. small cap		5	5	—	—	4%
International		47	47	—	—	33%
Fixed income securities:	40%					
Core fixed income bond fund (a)		36	36	—	—	26%
Total non-bargain VEBA	100%	$142	$ 142	$ —	$ —	100%
Life VEBA:						
Cash		$ 3	$ 3	$ —	$ —	—
Equity securities:	70%					
U.S. large cap		3	3	—	—	38%
Fixed income securities:	30%					
Core fixed income bond fund (a)		2	2	—	—	62%
Total life VEBA	100%	$ 8	$ 8	$ —	$ —	100%
Total	100%	$576	$ 290	$ 286	$ —	100%

(a) Includes cash for margin requirements.

Asset Category	2017 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2016
Bargain VEBA:						
Equity securities:	20%					
U.S. large cap		$ 35	$ 35	$ —	$ —	9%
International		40	40	—	—	10%
Fixed income securities:	80%					
U.S. Treasury securities and government bonds		84	84	—	—	22%
Corporate bonds		223	—	223	—	58%
Long duration bond fund		3	3	—	—	1%
Future and option contracts (a)		1	1	—	—	—
Total bargain VEBA	100%	$386	$ 163	$ 223	$ —	100%
Non-bargain VEBA:						
Cash		$ 2	$ 2	$ —	$ —	—
Equity securities:	70%					
U.S. large cap		29	29	—	—	22%
U.S. small cap		30	30	—	—	22%
International		37	37	—	—	28%
Fixed income securities:	30%					
Core fixed income bond fund		36	36	—	—	28%
Total non-bargain VEBA	100%	$134	$ 134	$ —	$ —	100%
Life VEBA:						
Equity securities:	70%					
U.S. large cap		$ 3	$ 3	$ —	$ —	60%
Fixed income securities:	30%					
Core fixed income bond fund		2	2	—	—	40%
Total life VEBA	100%	$ 5	$ 5	$ —	$ —	100%
Total	100%	$525	$ 302	$ 223	$ —	100%

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Equity securities are valued based on quoted prices in active markets and categorized as Level 1. Certain equities, such as international securities held in the pension plan are invested in commingled funds and/or limited

partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2. For limited partnerships, the assets as a whole are categorized as level 3 due to the fact that the partnership provides the pricing and the pricing inputs are less readily observable. In addition, the limited partnership vehicle cannot be readily traded.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. They are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate.

Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily. Exchange-traded options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement and the vehicle is in the form of a limited partnership.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

The following table provides a rollforward of the changes in the benefit obligation and plan assets for the most recent two years for all plans combined:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 1,864	$ 1,720	$ 610	$ 667
Service cost	33	32	10	12
Interest cost	80	80	26	28
Plan participants' contributions	—	—	2	2
Plan amendments	—	—	—	(156)
Actuarial (gain) loss	118	100	(9)	82
Acquisitions	9	—	—	—
Settlements	—	(3)	—	—
Gross benefits paid	(70)	(65)	(26)	(26)
Federal subsidy	—	—	1	1
Benefit obligation as of December 31,	$ 2,034	$ 1,864	$ 614	$ 610
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,443	$ 1,376	$ 525	$ 500
Actual return on plan assets	227	99	69	32
Employer contributions	42	36	6	17
Plan participants' contributions	—	—	2	2
Settlements	—	(3)	—	—
Acquisitions	7	—	—	—
Benefits paid	(70)	(65)	(26)	(26)
Fair value of plan assets as of December 31,	$ 1,649	$ 1,443	$ 576	$ 525
Funded value as of December 31,	$ (385)	$ (421)	$ (38)	$ (85)
Amounts recognized in the balance sheet consist of:				
Noncurrent asset	$ —	$ —	$ 2	$ 2
Current liability	(2)	(2)	—	—
Noncurrent liability	(383)	(419)	(40)	(87)
Net amount recognized	$ (385)	$ (421)	$ (38)	$ (85)

On July 31, 2016, the other postretirement benefit plan was re-measured to reflect a plan amendment, which capped benefits for certain non-union plan participants. The re-measurement included an $156 million reduction in future benefits payable to plan participants, and resulted in an $89 million reduction to the net accrued postretirement benefit obligation. The plan amendment will be amortized over 10.2 years, the average future working lifetime to full eligibility age for all plan participants.

The following table provides the components of the Company's accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Net actuarial loss	$ 416	$ 466	$ 108	$ 170
Prior service cost (credit)	2	2	(140)	(158)
Net amount recognized	$ 418	$ 468	$ (32)	$ 12
Regulatory assets (liabilities)	$ 270	$ 300	$ (32)	$ 12
Accumulated other comprehensive income	148	168	—	—
Total	$ 418	$ 468	$ (32)	$ 12

As of December 31, 2017 and 2016, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected obligation in excess of plan assets were as follows:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2017	2016
Projected benefit obligation	$ 2,034	$ 1,864
Fair value of plan assets	1,649	1,443

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2017	2016
Accumulated benefit obligation	$ 1,888	$ 1,722
Fair value of plan assets	1,649	1,443

The accumulated postretirement benefit obligation exceeds plan assets for all of the Company's other postretirement benefit plans, except for the New York Water Medical Benefits Bargaining Trust.

In August 2006, the PPA was signed into law in the U.S. The PPA replaces the funding requirements for defined benefit pension plans by requiring that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The PPA was effective for the 2008 plan year with short-term phase-in provisions for both the funding target and at-risk determination. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to the greater of the minimum required contributions or the normal cost in 2018 to the qualified pension plans. The Company plans to contribute to its 2018 other postretirement benefit cost for rate-making purposes.

Information about the expected cash flows for the pension and postretirement benefit plans is as follows:

	Pension Benefits	Other Benefits
2018 expected employer contributions:		
To plan trusts	$ 39	$ —
To plan participants	2	—

The following table reflects the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2018	$ 77	$ 29	$ 2
2019	83	31	2
2020	89	32	2
2021	94	34	2
2022	99	35	2
2022-2026	577	192	12

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

The significant assumptions related to the Company's pension and other postretirement benefit plans were as follows:

	Pension Benefits			Other Benefits		
	2017	2016	2015	2017	2016	2015
Weighted-average assumptions used to determine December 31 benefit obligations:						
Discount rate	3.75%	4.28%	4.66%	3.73%	4.26%	4.67%
Rate of compensation increase	3.02%	3.07%	3.10%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 7.00% in 2018 to 4.50% in 2026+	graded from 7.00% in 2017 to 5.00% in 2021+	graded from 6.50% in 2016 to 5.00% in 2021+
Weighted-average assumptions used to determine net periodic cost:						
Discount rate	4.28%	4.66%	4.24%	4.26%	3.66%	4.24%
Expected return on plan assets	6.49%	7.02%	6.91%	5.09%	5.37%	4.92%
Rate of compensation increase	3.07%	3.10%	3.12%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 7.00% in 2017 to 5% in 2021+	graded from 6.50% in 2016 to 5.00% in 2021+	graded from 6.75% in 2015 to 5.00% in 2021+

Note: N/A—Assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. At year-end 2011, the Company began using an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. The yield curve was developed for a universe containing the majority of U.S.-issued AA-graded corporate bonds, all of which were non-callable (or callable with make-whole provisions). Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns and for the effect of expenses paid from plan assets. The Company's pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.49% to estimate its 2017 pension benefit costs, and an expected blended return based on weighted assets of 5.09% to estimate its 2017 other postretirement benefit costs.

In the determination of year end 2014 projected benefit plan obligations, the Company adopted a new table based on the Society of Actuaries RP 2014 mortality table including a generational BB-2D projection scale. The adoption resulted in a significant increase to pension and other postretirement benefit plans' projected benefit obligations. In 2015 a new MP 2015 Projection Scale was issued, but not adopted by the Company since all of the experience upon which the MP 2015 Projection Scale is based was considered by the Company in selecting its 2014 assumptions. For year-end 2017, the Company retained the Society of Actuaries RP-2014 mortality table as its base mortality table but adopted the new MP-2017 generational projection scale to project mortality improvements after 2006.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. The health care cost trend rate is based on historical rates and expected market conditions. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 5	$ (4)
Effect on other postretirement benefit obligation	73	(60)

The following table provides the components of net periodic benefit costs for the years ended December 31:

	2017	2016	2015
Components of net periodic pension benefit cost:			
Service cost	$ 33	$ 32	$ 37
Interest cost	80	80	74
Expected return on plan assets	(93)	(95)	(97)
Amortization of:			
Prior service cost (credit)	1	1	1
Actuarial (gain) loss	34	27	25
Net periodic pension benefit cost	$ 55	$ 45	$ 40
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Amortization of prior service credit (cost)	$ —	$ —	$ —
Current year actuarial (gain) loss	(7)	21	10
Amortization of actuarial gain (loss)	(7)	(6)	(5)
Total recognized in other comprehensive income	$ (14)	$ 15	$ 5
Total recognized in net periodic benefit cost and comprehensive income	$ 41	$ 60	$ 45
Components of net periodic other postretirement benefit cost:			
Service cost	$ 10	$ 12	$ 14
Interest cost	26	28	30
Expected return on plan assets	(26)	(27)	(26)
Amortization of:			
Prior service cost (credit)	(18)	(9)	(2)
Actuarial (gain) loss	10	5	5
Net periodic other postretirement benefit cost	$ 2	$ 9	$ 21

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service of the current active membership for the plans.

The estimated amounts that will be amortized from accumulated other comprehensive income and regulatory assets into net periodic benefit cost in 2018 are as follows:

	Pension Benefits	Other Benefits
Actuarial (gain) loss	$ 27	$ 4
Prior service cost (credit)	1	(18)
Total	$ 28	$ (14)

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006 the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. Plan expenses totaled $13 million, $9 million and $9 million for 2017, 2016 and 2015, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 15: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $475 million as of December 31, 2017.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. The future annual commitments related to minimum quantities of purchased water having non-cancelable terms are as follows:

Year	Amount
2018	$ 59
2019	65
2020	65
2021	65
2022	64
Thereafter	661

The Company enters into agreements for the provision of services to water and wastewater facilities for the United States military, municipalities and other customers. The Company's military agreements expire between 2051 and 2068 and have remaining performance commitments as measured by estimated remaining contract revenue of $3.6 billion as of December 31, 2017. The military agreements are subject to customary termination provisions held by the U.S. government prior to the agreed upon contract expiration. The Company's O&M agreements with municipalities and other customers expire between 2018 and 2038 and have remaining performance commitments as measured by estimated remaining contract revenue of $711 million as of December 31, 2017. Some of the Company's long-term contracts to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities include responsibility

for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2017, the Company has accrued approximately $135 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $27 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 15—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

Background

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol ("MCHM"), and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the West Virginia-American Water Company ("WVAWC") treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection, WVAWC took immediate steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a "Do Not Use" order for all of its approximately 93,000 customer accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC's customers were subject to the Do Not Use order.

Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, more than 70 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. In January 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed until April 22, 2018 pending the approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. The court in the Federal action has continued the start of the trial indefinitely pending ongoing settlement approval activities.

Proposed Global Class Action Settlement

In October 2016, the court in the Federal action approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle claims among the American Water Defendants, and all class members, putative class members, claimants and potential claimants, arising out of the Freedom Industries chemical spill. On April 27, 2017, the parties filed with the court in the Federal action a proposed settlement agreement providing details of the terms of the settlement of these matters and requesting that the court in the Federal action grant preliminary approval of such settlement. On July 6, 2017, the court in the Federal action issued an opinion denying without prejudice the joint motion for preliminary approval of the Settlement. On August 25, 2017, the parties filed a proposed amended settlement agreement and related materials addressing the matters set forth in the July 6, 2017 order.

On September 21, 2017, the court in the Federal action issued an order granting preliminary approval of a settlement class and proposed class action settlement (the "Settlement") with respect to claims against the American Water Defendants by all putative class members (collectively, the "Plaintiffs") for all claims and potential claims arising out of the Freedom Industries chemical spill. The Settlement proposes a global resolution of all federal and state litigation and potential claims against the American Water Defendants and their insurers. Under the terms and conditions of the Settlement and the proposed amended settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved. Under federal class action rules, claimants had the right, until December 8, 2017, to elect to opt out of the final Settlement, in which case such claimant would not receive any benefit from or be bound by the terms of the Settlement. As of January 31, 2018, less than 100 of the 225,000 estimated putative Plaintiffs have submitted opt-out notices. The deadline to file a claim in the Settlement is February 21, 2018.

The proposed aggregate pre-tax amount of the Settlement with respect to the Company is $126 million. The aggregate portion of the Settlement to be contributed by WVAWC, net of insurance recoveries, is $43 million (approximately $26 million after-tax), taking into account the September 2017 settlement with one of the Company's general liability insurance carriers discussed below. Another defendant to the Settlement is to contribute up to $25 million to the Settlement. Two of the Company's general liability insurance carriers, which provide an aggregate of $50 million in insurance coverage to the Company under these policies, had been originally requested to participate in the Settlement at the time of the initial filing of the binding agreement in principle with the court in the Federal action, but did not agree to do so at that time. WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constituted a breach of contract. On September 19, 2017, the Company and the insurance carrier settled this lawsuit for $22 million, out of a maximum of $25 million in potential coverage under the terms of the relevant policy, in exchange for a full release by the Company and WVAWC of all claims against the insurance carrier related to the Freedom Industries chemical spill. WVAWC and the settling insurer have agreed to stay this litigation pending final approval of the Settlement. The Company and WVAWC continue to pursue vigorously their rights to insurance coverage for contributions by WVAWC to the Settlement in mandatory arbitration with the remaining non-participating carrier. This arbitration proceeding remains pending.

The proposed Settlement would establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76 million, of which $29 million will be contributed by WVAWC, including insurance deductibles, and $47 million would be contributed by two of the Company's general liability insurance carriers, and (ii) an individual review claim fund of up to $50 million, of which up to $14 million would be contributed by WVAWC and up to $36 million would be contributed by a number of the Company's general liability insurance carriers. Separately, up to $25 million would be contributed to the guaranteed fund by another defendant to the Settlement. If any final approval order by the court in the Federal action with respect to the Settlement is appealed and such appeal would delay potential payment to claimants under the Settlement, WVAWC and the other defendant to the Settlement will contribute up to $50 million and $25 million, respectively, to the Settlement (not including, in the case of WVAWC, any contributions by the Company's general liability insurance carriers which would not be made until such time as a final, non-appealable order is issued) into an escrow account during the pendency of such appeals. For certain claims, WVAWC and the other defendant to the Settlement may, in lieu of these escrowed contributions, make advance payments of such claims if agreed to by the parties. All administrative expenses of the Settlement and attorneys' fees of class counsel related thereto would be paid from the funds designated to pay claims covered by the Settlement.

As a result of these events, in the third quarter of 2016, the Company recorded a charge to earnings, net of insurance receivables, of $65 million ($39 million after-tax). Additionally, in the third quarter of 2017, the Company recorded a benefit of $22 million ($13 million after-tax) as an additional insurance receivable reflecting the settlement with the insurance carrier described above. The settlement amount of $126 million is reflected in Accrued Liabilities and the offsetting insurance receivables are reflected in Other Current Assets in

the Consolidated Balance Sheet as of December 31, 2017. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia (the "PSC") for approximately $4 million in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The $36 million to be contributed by a number of the Company's general liability insurance carriers to the individual review claim fund, as noted above, is from higher layers of the insurance structure than the insurance carrier that was requested, but presently has not agreed, to participate in the Settlement. Any recovery by WVAWC or the Company from the remaining non-participating carrier would reimburse WVAWC for its contributions to the guaranteed fund.

Notice of the terms of the Settlement to members of the settlement class commenced on October 11, 2017. Following the notice period, on January 9, 2018, the court in the Federal action held a fairness hearing to consider final approval of the Settlement, which was continued on February 1, 2018 to address certain open matters. At this hearing, the court in the Federal action indicated that it intended to enter an order approving the Settlement, and the parties submitted a proposed order to the court on February 2, 2018.

Other Related Proceedings

Additionally, investigations with respect to the matter have been initiated by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the PSC. As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act. Moreover, the PSC issued an order on June 15, 2017 concluding its investigation without requiring WVAWC to take any further action with respect to the matters covered by the general investigation.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. In September 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. On April 4, 2017, the CSB indicated that the implementation by the Company of source water protection activities resolved the first two parts of the CSB's recommendation. The CSB also noted that compliance by the Company with the third part of its recommendation is ongoing and that closure of this part is contingent upon completion of updated contingency planning for the Company's water utilities outside of West Virginia. In light of public response to its original September 2016 investigation report, on May 11, 2017, the CSB issued a new version of this report. The primary substantive change addressed CSB's factual evaluation of the duration and volume of contamination from the leaking tank, decreasing its estimate of the leak time but increasing the volume estimate by 10%. No substantive changes were made to the conclusions and recommendations in the original report. The Company has submitted an updated report on contingency planning and is awaiting CSB's further review.

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the "public nuisance" it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a complaint in Lincoln County state court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public

nuisance in Lincoln County. The complaint seeks an injunction against WVAWC that would require the creation of various databases and public repositories of documents related to the Freedom Industries chemical spill, as well as further study and risk assessments regarding the alleged exposure of Lincoln County residents to the released chemicals. On June 12, 2017, the Mass Litigation Panel entered an order granting a motion to transfer this case to its jurisdiction and stayed the case consistent with the existing stay order. The LCC has elected to opt out of the Settlement. On January 26, 2018, the LCC filed a motion seeking to lift the stay imposed by the Mass Litigation Panel. This motion is pending. WVAWC believes that this lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

California Public Utilities Commission Residential Rate Design Proceeding

In December 2016, the CPUC issued a final decision in a proceeding involving California-American Water Company, a wholly owned subsidiary of the Company ("Cal Am"), adopting a new residential rate design for Cal Am's Monterey District. The decision allowed for recovery by Cal Am of $32 million in under-collections in the water revenue adjustment mechanism/modified cost balancing account ("WRAM/MCBA") over a five -year period, plus interest, and modified existing conservation and rationing plans. In its decision, the CPUC noted concern regarding Cal Am's residential tariff administration, specifically regarding the lack of verification of customer-provided information about the number of residents per household. This information was used for generating billing determinants under the tiered rate system. As a result, the CPUC kept this proceeding open to address several issues, including whether Cal Am's residential tariff administration violated a statute, rule or CPUC decision, and if so, whether a penalty should be imposed.

On February 24, 2017, Cal Am, the Monterey Peninsula Water Management District, the CPUC's Office of Ratepayer Advocates, and the Coalition of Peninsula Businesses filed for CPUC approval of a joint settlement agreement (the "Joint Settlement Agreement"), which among other things, proposed to resolve the CPUC's residential tariff administration concerns by providing for a waiver by Cal Am of $0.5 million of cost recovery for residential customers through the WRAM/MCBA in lieu of a penalty. Approval of the Joint Settlement Agreement, which is required for it to take effect, remains pending before the CPUC.

On March 28, 2017, the administrative law judge assigned to the proceeding issued a ruling stating there was sufficient evidence to conclude, on a preliminary basis, that Cal Am's administration of the residential tariff violated certain provisions of the California Public Utilities Code and a CPUC decision. The ruling ordered Cal Am to show cause why it should not be penalized for these administrative violations and directed the settling parties to address whether the cost recovery waiver in the Joint Settlement Agreement was reasonable compared to a potential penalty range described by the administrative law judge. During hearings held on April 13-14, 2017, the administrative law judge clarified that this potential penalty range is $3 million to $179 million (calculated as a continuing violation dating back to 2000 and applying penalties of up to $20,000 per day until January 1, 2012 and penalties of up to $50,000 per day thereafter, reflecting a 2012 change to the relevant statute). The administrative law judge also noted that a per diem penalty may not be appropriate, as Cal Am's monthly billing practices did not allow Cal Am to update customer-provided information for billing purposes on a daily basis. Hearings before the administrative law judge in this matter were held in August, September and November 2017. Cal Am also submitted additional testimony on the issue of whether Cal Am should be penalized, and if so, the reasonable amount of any such penalty. This proceeding remains pending, and the CPUC has set a statutory deadline of September 30, 2018 for the completion of the proceeding.

As of December 31, 2017, the portions of this loss contingency that are probable and/or reasonably possible have been determined to be immaterial to the Company and have been included in the aggregate maximum amounts described above in the paragraph under "Contingencies" in this Note 15.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of WVAWC's West Relay pumping station located in the City of Dunbar. The failure of the main caused water outages and low pressure to up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was completed safely on June 30, 2015. Water service was fully restored on July 1, 2015 to all customers affected by this event.

On June 2, 2017, a class action complaint was filed in West Virginia Circuit Court in Kanawha County against WVAWC on behalf of a purported class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

On October 12, 2017, WVAWC filed with the court a motion seeking to dismiss all of the plaintiffs' counts alleging statutory and common law tort claims. Furthermore, WVAWC asserts that the PSC, and not the court, has primary jurisdiction over allegations involving violations of the applicable tariff, the public utility code and related rules. This motion remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible losses or a range of such losses related to this proceeding.

Note 16: Earnings per Common Share

The following is a reconciliation of the numerator and denominator for basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2017	2016	2015
Numerator:			
Net income attributable to common stockholders	$ 426	$ 468	$ 476
Denominator:			
Weighted average common shares outstanding—Basic	178	178	179
Effect of dilutive common stock equivalents	1	1	1
Weighted average common shares outstanding—Diluted	179	179	180

The effect of dilutive common stock equivalents is related to RSUs and performance stock units granted under the 2007 and 2017 Omnibus Equity Compensation Plans, as well as shares purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2017, 2016 and 2015 because their effect would have been anti-dilutive under the treasury stock method.

Note 17: Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

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

The carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and fair values of the financial instruments were as follows:

	Carrying Amount	December 31, 2017			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 10	$ —	$ —	$ 14	$ 14
Long-term debt (excluding capital lease obligations)	6,809	4,846	976	1,821	7,643

	Carrying Amount	December 31, 2016			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 12	$ —	$ —	$ 15	$ 15
Long-term debt (excluding capital lease obligations)	6,320	3,876	1,363	1,805	7,044

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.
- Level 2—inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

- Level 3—unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy as of December 31, 2017 and 2016, respectively:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 28	$ —	$ —	$ 28
Rabbi trust investments	15	—	—	15
Deposits	4	—	—	4
Other investments	3	—	—	3
Total assets	50	—	—	50
Liabilities:				
Deferred compensation obligation	17	—	—	17
Mark-to-market derivative liability	—	3	—	3
Total liabilities	17	3	—	20
Total net assets (liabilities)	$ 33	$ (3)	$ —	$ 30

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 24	$ —	$ —	$ 24
Rabbi trust investments	12	—	—	12
Deposits	3	—	—	3
Mark-to-market derivative asset	—	28	—	28
Other investments	1	—	—	1
Total assets	40	28	—	68
Liabilities:				
Deferred compensation obligation	13	—	—	13
Mark-to-market derivative liability	—	—	—	—
Total liabilities	13	—	—	13
Total net assets (liabilities)	$ 27	$ 28	$ —	$ 55

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations and maintenance projects. Long-term restricted funds of $1 million and $4 million were included in other long-term assets as of December 31, 2017 and 2016, respectively.

Rabbi trust investments—The Company's Rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

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

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

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

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets.

Note 18: Leases

The Company has entered into operating leases involving certain facilities and equipment. Rental expenses under operating leases were $29 million, $24 million and $21 million for the years ended December 31, 2017, 2016 and 2015, respectively. The operating leases for facilities will expire over the next 25 years and the operating leases for equipment will expire over the next 5 years. Certain operating leases have renewal options ranging from one to five years.

The minimum annual future rental commitment under operating leases that have initial or remaining non-cancelable lease terms over the next 5 years and thereafter are as follows:

	Amount
2018	$ 15
2019	14
2020	12
2021	9
2022	8
Thereafter	65

The Company has a series of agreements with various public entities (the "Partners") to establish certain joint ventures, commonly referred to as "public-private partnerships." Under the public-private partnerships, the Company constructed utility plant, financed by the Company and the Partners constructed utility plant (connected to the Company's property), financed by the Partners. The Company agreed to transfer and convey some of its real and personal property to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs"), issued by the Partners under a state Industrial Development Bond and Commercial Development Act. The Company leased back the total facilities, including portions funded by both the Company and the Partners, under leases for a period of 40 years.

The leases related to the portion of the facilities funded by the Company have required payments from the Company to the Partners that approximate the payments required by the terms of the IDBs from the Partners to the Company (as the holder of the IDBs). As the ownership of the portion of the facilities constructed by the

Company will revert back to the Company at the end of the lease, the Company has recorded these as capital leases. The lease obligation and the receivable for the principal amount of the IDBs are presented by the Company on a net basis. The carrying value of the facilities funded by the Company recognized as a capital lease asset was $150 million and $152 million as of December 31, 2017 and 2016, respectively, which is presented in property, plant and equipment in the accompanying Consolidated Balance Sheets. The future payments under the lease obligations are equal to and offset by the payments receivable under the IDBs.

As of December 31, 2017, the minimum annual future rental commitment under the operating leases for the portion of the facilities funded by the Partners that have initial or remaining non-cancelable lease terms in excess of one year included in the preceding minimum annual rental commitments are $4 million in 2018 through 2022, and $63 million thereafter.

Note 19: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions and assess performance. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates businesses that provide a broad range of related and complementary water and wastewater services in non-regulated markets, which includes four operating segments that individually do not meet the criteria of a reportable segment. These four non-reportable operating segments are collectively presented as our "Market-Based Businesses."

The Regulated Businesses segment is the largest component of the Company's business and includes 20 subsidiaries that provide water and wastewater services to customers in 16 states.

The Market-Based Businesses' four non-reportable operating segments are Military Services Group, Contract Operations Group, Homeowner Services Group and Keystone Operations. Military Services Group performs 50-year contracts with the U.S. government for the operation and maintenance of the water and wastewater systems on certain military bases. Homeowner Services Group provides services to domestic homeowners and smaller commercial establishments to protect against the cost of repairing damaged or blocked pipes inside and outside their accommodations, as well as interior electric lines. Contract Operations Group performs contracts with municipalities, the food and beverage industry and other customers to operate and maintain water and wastewater facilities. Keystone Operations provides customized water sourcing, transfer services, pipeline construction and water storage solutions, for natural gas exploration and production companies.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. See Note 2—Significant Accounting Policies. The Regulated Businesses segment and Market-Based Businesses include intercompany costs that are allocated by American Water Works Service Company, Inc. and intercompany interest that is charged by American Water Capital Corp., which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues, include the sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, furniture and equipment provided by the Company's market-based subsidiaries to its regulated subsidiaries. "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

The following tables include the Company's summarized segment information as of and for the years ended December 31:

	2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,958	$ 422	$ (23)	$ 3,357
Depreciation and amortization	462	18	12	492
Total operating expenses, net	1,781	360	(28)	2,113
Interest, net	(268)	3	(77)	(342)
Income before income taxes	925	66	(79)	912
Provision for income taxes	366	28	92	486
Net income attributable to common stockholders	559	38	(171)	426
Total assets	17,602	599	1,281	19,482
Capital expenditures	1,316	18	100	1,434

	2016			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,871	$ 451	$ (20)	$ 3,302
Depreciation and amortization	440	15	15	470
Total operating expenses, net	1,852	391	(21)	2,222
Interest, net	(256)	2	(71)	(325)
Income before income taxes	775	65	(70)	770
Provision for income taxes	303	26	(27)	302
Net income attributable to common stockholders	472	39	(43)	468
Total assets	16,405	637	1,440	18,482
Capital expenditures	1,274	18	19	1,311

	2015			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,743	$ 434	$ (18)	$ 3,159
Depreciation and amortization	411	8	21	440
Total operating expenses, net	1,732	370	(18)	2,084
Interest, net	(248)	2	(62)	(308)
Income before income taxes	776	68	(62)	782
Provision for income taxes	303	26	(23)	306
Net income attributable to common stockholders	473	42	(39)	476
Total assets	15,258	496	1,487	17,241
Capital expenditures	1,143	17	—	1,160

Note 20: Unaudited Quarterly Data

The following table summarizes certain supplemental unaudited consolidated quarterly financial data for each of the four quarters in the years ended December 31, 2017 and 2016, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 756	$ 844	$ 936	$ 821
Operating income	227	308	430	279
Net income attributable to common stockholders	93	131	203	(1)
Basic earnings per share:				
Net income attributable to common stockholders	$0.52	$0.74	$1.14	$(0.01)
Diluted earnings per share:				
Net income attributable to common stockholders	0.52	0.73	1.13	—

	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 743	$ 827	$ 930	$ 802
Operating income	214	299	319	248
Net income attributable to common stockholders	82	137	148	101
Basic earnings per share:				
Net income attributable to common stockholders	$0.46	$0.77	$0.83	$ 0.57
Diluted earnings per share:				
Net income attributable to common stockholders	0.46	0.77	0.83	0.57

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2017, our disclosure controls and procedures were effective at a reasonable level of assurance. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Our internal control over financial

reporting is a process designed by or under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting, as of December 31, 2017, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our evaluation under the framework in *Internal Control—Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Changes to Long-Term Equity Award Retirement Provisions

On February 14, 2018, our Board of Directors and Executive Development and Compensation Committee approved changes to the retirement provisions of equity awards granted under the Company's 2017 Omnibus Equity Compensation Plan (the "Omnibus Plan") to persons serving as the Company's Chief Executive Officer, Chief Financial Officer or Chief Operating Officer (each, a "Covered Executive"), so long as the Covered Executive has held one or more of those titles (or any other title that contains such title) for a period of at least three years of consecutive service.

These changes acknowledge that these three positions consistently make and/or should make decisions that are in both the short-term and long-term interests of the Company, and extend the vesting of equity awards beyond the Covered Executive's retirement date to reflect the desired accountability. The changes apply to awards that are granted or may be granted to a Covered Executive under the Omnibus Plan commencing on February 14, 2018. These changes did not affect any equity award granted under the Omnibus Plan prior to February 14, 2018.

Except as contemplated by the amended retirement provisions, the Company will not permit the acceleration of vesting of any long-term equity award granted under the Omnibus Plan on account of retirement of a Covered

Executive. With respect to a Covered Executive, the amended retirement provisions for a long-term equity award state that such award will continue to vest over the normal vesting schedule of the award after the Covered Executive has a separation from service based upon either normal retirement or early retirement. In the event of a normal retirement of a Covered Executive, defined as having attained age 60 and five years of service with the Company or any subsidiary, an award will vest in full over the normal vesting schedule of the award. In the event of an early retirement of a Covered Executive, defined as having attained age 55 and five years of service with the Company or any subsidiary, 75% of each award will vest over the normal vesting schedule of the award. Performance stock unit awards will continue to vest in accordance with their normal vesting schedule and shall be paid at the end of the three-year performance period based on actual performance. Any stock option granted after February 14, 2018 to a Covered Executive will remain exercisable for a period of two years after the retirement date.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not given below or in Item 1—Business —Executive Officers of this Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance," "Proposal 1—Election of Directors" and "Certain Beneficial Ownership Matters—Section 16(a) Beneficial Ownership Reporting Compliance."

We have adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on our website at *https://amwater.com*. We intend to post on our website any amendments to our Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, under the captions entitled "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, under the caption entitled "Fees Paid to Independent Registered Public Accounting Firm" and "Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).

2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.

3. Exhibits. The list of documents contained in "Exhibit Index" to this Form 10-K is incorporated by reference in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
4.1	Indenture, dated as of October 22, 2007 between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers' Certificate, dated December 15, 2010, establishing the 6.00% Senior Monthly Notes due 2040 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 15, 2010).
4.4	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.5	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.6	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.8	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.10	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).

Exhibit Number	Exhibit Description
4.12	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.13	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.14	Note Purchase Agreement, as amended, dated December 21, 2006, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 4.2 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007) with respect to the 5.52% Series B Senior Notes due December 21, 2016, 5.62% Series C Senior Notes due December 21, 2018 and 5.77% Series D Senior Notes due December 21, 2021.
4.15	Note Purchase Agreement, as amended, dated March 29, 2007, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 4.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007) with respect to 5.62% Series E Senior Notes due March 29, 2019 and 5.77% Series F Senior Notes due March 29, 2022.
4.16	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.25% Series G Senior Notes due May 15, 2018 and the 6.55% Series H Senior Notes due May 15, 2023.
10.1	Amended and Restated Credit Agreement, dated as of June 30, 2015, by and among American Water Works Company, Inc., American Water Capital Corp., each of the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd. and PNC Bank, National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on July 7, 2015).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Amended and Restated Letter Agreement between Loyd Warnock and American Water Works Company, Inc. dated May 7, 2014 (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.4*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).

Exhibit Number	Exhibit Description
10.5*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.37 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.6*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.7*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.8.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.8.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.9*	American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 333-219682, filed August 4, 2017).
10.10.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.10.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Nonqualified Stock Option Grant for ML1 – L5 Employees (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2012).
10.10.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.10.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2014).
10.10.5*	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.6A to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2014).
10.10.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan May 2014 Nonqualified Stock Option Grant Form for Susan N. Story (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).

Exhibit Number	Exhibit Description
10.10.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.13.10 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.10.8*	Amendment to American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.13.11 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.10.9*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (for certain executives) (incorporated by reference to Exhibit 10.13.12 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.10.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.11*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (for certain executives) (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.12*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.13*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (for certain executives) (incorporated by reference to Exhibit 10.2.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.14*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.15*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (for certain executives) (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.16*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.17*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.3.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.18*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).

Exhibit Number	Exhibit Description
10.10.19*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.3.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.20*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.21*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.2.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.22*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.23*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.2.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.24*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2010 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 4, 2010).
10.10.25*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2011 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2011).
10.10.26*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2012).
10.10.27*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.10.28*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.10.29*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).

Exhibit Number	Exhibit Description
10.10.30*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.10.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.10.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.33*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (for certain executives) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.34*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.35*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.36*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.37*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.38*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Director Stock Unit Agreement (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.11	Binding Global Agreement in Principle to Settle Claims Arising from the Freedom Industries, Inc. Chemical Spill, dated as of October 31, 2016 (incorporated by reference to Exhibit 10.16 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 21, 2017).
10.12*	American Water Works Company, Inc. Executive Severance Policy, dated as of December 16, 2008 (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 3, 2010).
12.1	Computation of Ratio of Earnings to Fixed Charges (filed herewith).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).

Exhibit Number	Exhibit Description
32.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
101	The following financial statements from American Water Works Company, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Stockholders' Equity; and (vi) the Notes to Consolidated Financial Statements (filed herewith).

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 20th day of February, 2018.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 20th day of February, 2018, by the following persons in the capacities indicated.

/s/ SUSAN N. STORY	/s/ MARTHA CLARK GOSS
Susan N. Story **President and Chief Executive Officer** **(Principal Executive Officer and Director)**	**Martha Clark Goss** **(Director)**
/s/ LINDA G. SULLIVAN	/s/ VERONICA M. HAGEN
Linda G. Sullivan **Executive Vice President and Chief Financial Officer** **(Principal Financial Officer)**	**Veronica M. Hagen** **(Director)**
/s/ MELISSA K. WIKLE	/s/ JULIA L. JOHNSON
Melissa K. Wikle **Vice President and Controller** **(Principal Accounting Officer)**	**Julia L. Johnson** **(Director)**
/s/ GEORGE MacKENZIE	/s/ KARL F. KURZ
George MacKenzie **(Director)**	**Karl F. Kurz** **(Director)**

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-219682, 333-217975, 333-168543 and 333-150381) and Form S-3 (Nos. 333-203949 and 333-209933) of American Water Works Company, Inc. of our report dated February 20, 2018 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 20, 2018

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Susan N. Story, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 20, 2018

By: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Linda G. Sullivan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 20, 2018

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Susan N. Story, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

February 20, 2018

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Linda G. Sullivan, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

February 20, 2018

Investor Inquiries
Stockholders with questions, or those who wish to obtain a copy of the company's reports filed with the Securities and Exchange Commission without charge, should visit American Water's Investor Relations page at amwater.com, or contact:

Investor Relations
1025 Laurel Oak Road
Voorhees, NJ 08043
Investor Relations Line: 856-566-4005
Investor Relations Fax: 856-782-2782
Email: aw.investorrelations@amwater.com

Headquarters
1025 Laurel Oak Road
Voorhees, NJ 08043
Phone: 856-346-8200
amwater.com

Stock Market
Common stock of American Water Works Company, Inc. is traded on the New York Stock Exchange (NYSE) under the symbol AWK.

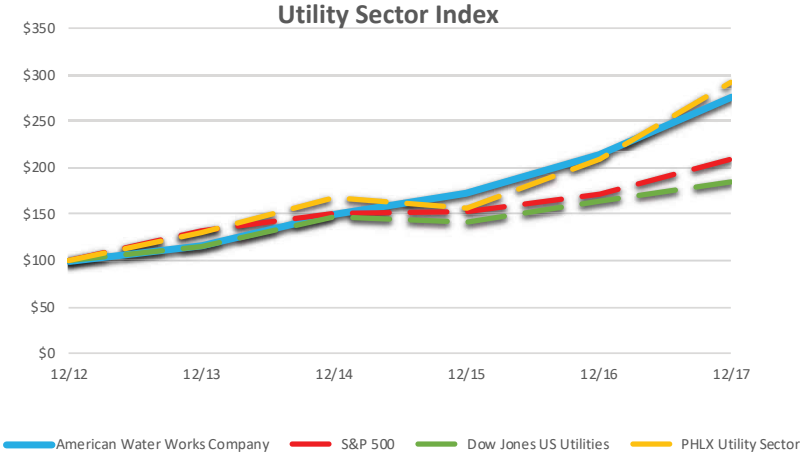
Annual Meeting
The annual meeting of stockholders is scheduled for 10:00 a.m. ET on Friday, May 11, 2018, to be held at The Camden Adventure Aquarium: 1 Riverside Drive, Camden, NJ, 08103. All holders of our outstanding common stock at the close of business on March 15, 2018, are entitled to notice of, and to vote at, the meeting. Notice of the meeting and proxy materials will be distributed to stockholders and accessible to the public on our Investor Relations page at amwater.com. Management encourages all investors to participate and vote.

Executive Certifications
American Water Works has included as exhibits to its 2017 Annual Report on Form 10-K filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of the company regarding the company's public disclosures contained therein. The company also provides annually to the NYSE a certificate of the CEO certifying that, among other things, it is not aware of any violation by the company of NYSE corporate listing standards.

Dividends
Dividends paid on the company's common stock in 2017 were:
March 1, 2017 ..... $0.375
June 1, 2017 ..... $0.415
September 1, 2017 ..... $0.415
December 1, 2017 ..... $0.415

Stock Performance Graph
The graph below compares the cumulative total return on American Water's common stock with the cumulative total return of the Standards & Poor's 500 Index, the Dow Jones U.S. Utilities Total Return Index and the PHLX Utility Sector Index from Dec. 31, 2012, through Dec. 29, 2017. The comparison assumes $100 was invested on Dec. 31, 2012, and that dividends were reinvested.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*
Among American Water Works Company, the S&P 500 Index, the Dow Jones U.S. Utilities Total Return Index and the PHLX Utility Sector Index



*$100 invested on 12/31/12 in stock or index, including reinvestment of dividends.
Fiscal year ending Dec. 31.
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	12/12	12/13	12/14	12/15	12/16	12/17	2017 TSR GROWTH
American Water Works Company, Inc.	$100.00	$116.12	$150.27	$172.59	$213.31	$275.21	29.0%
PHLX Utility Sector	$100.00	$130.15	$167.68	$156.67	$208.23	$292.66	40.5%
S&P 500	$100.00	$132.39	$150.51	$152.59	$170.84	$208.14	21.8%
Dow Jones U.S. Utilities Total Return	$100.00	$115.20	$147.56	$140.76	$164.77	$185.27	12.4%

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AMERICAN WATER

THE CYCLE OF SUCCESS

2016 ANNUAL REPORT

DEAR FELLOW STOCKHOLDER,

American Water and its 6,800 employees delivered another year of strong financial performance, as detailed in this annual report, which gives the board confidence that the company is well positioned to achieve its stated target of 7 to 10 percent compound annual growth rate in diluted earnings per share (EPS) growth, anchored off 2015 EPS.

In recognition of this financial performance, during 2016 our board continued its long-standing commitment to the company's dividend, and increased the quarterly cash dividend payment from 34 cents to 37.5 cents per share, an increase of approximately 10 percent. The company has increased its dividend every year since its initial public offering in April 2008, and this is our fourth consecutive year of dividend increases of about 10 percent. This dividend is also consistent with our stated target payout ratio of 50 to 60 percent.

As an owner of American Water, you enjoyed a total shareholder return (TSR) of 23.6 percent during 2016 — well above the total shareholder return for the S&P 500 Index, which for 2016 was 12 percent.

These results stem from the successful execution of American Water's business strategy, which allowed the company to continue to provide safe, clean, reliable and affordable water and wastewater services. Through a concentrated focus on engaged employees, smart investments, safe and efficient operations, and highly satisfied customers, American Water has a pathway to sustainable and profitable growth.

On behalf of the company and the board, we want to thank you for your continued support and investment. We look forward to what American Water will accomplish in 2017.

Sincerely,

George MacKenzie
Chairman of the Board

DEAR FELLOW STOCKHOLDER,

American Water is pleased to provide you another year of strong financial performance with a record level of safety, investment, O&M efficiency and regulated acquisitions. Our board of directors approved a quarterly dividend increase of 10 percent during 2016, marking the fourth year in a row of dividend increases of about 10 percent.

Yes, it was a really good year financially. But financial success is an outcome of many factors. For our company, success is a cycle that starts with our employees and their commitment to our customers.

In this report, you will see examples of how engaged employees, safe and efficient operations and smart investments lead to highly satisfied customers. In turn, highly satisfied customers translate to more constructive regulatory outcomes and the sustainable financial performance American Water delivers consistently.

Let's start with our people. The 6,800 professionals who make up American Water once again achieved exceptional water quality results — in fact, compared to the US Environmental Protection Agency's drinking water quality database, our water systems were 21 times better than the industry average. This is foundational to us and our business.

During 2016, we saw a heightened awareness of water quality issues, including the lead tragedy in Flint, Mich., and the disruptive algae blooms in Florida's Lake Okeechobee. But lead service lines and biological incidents are only two of the many challenges the water industry faces. We are also focused on aging infrastructure, emerging contaminants and water supply issues. This is why we at American Water remain steadfast in our commitment to be a leader in the U.S. water and wastewater industry and a provider of solutions to these challenges.

Safety and environmental stewardship are paramount to us. This is why our people work safely and watch out for one another. Our goal is that every single employee goes home to his or her family each night in the same shape in which he or she came to work. In 2016, we saw 23 percent fewer injuries on the job than we did in the prior year, but we won't be satisfied until there are none. And this safety mindset also extends to the safety of our customers.

Our people also continued to find ways to work more efficiently, because they understand that for every $1 we save, we can invest $7 in capital without impacting our customers' bills. From leveraging value engineering to technology to supply chain, we worked smarter, drove capital efficiency and did more work with the same amount of money. In 2016, we invested approximately $1.3 billion in our regulated water and wastewater systems.

Additionally, our people are an integral part of the communities we serve. Across our footprint, they give back to the community by participating in organizations such as United Way, Habitat for Humanity and the American Heart Association. More than 2,200 American Water employees spent more than 4,000 hours in 116 different community volunteer projects during our annual month of service in 2016. Our employees create a measurable, lasting impact on so many in the communities they serve. All these efforts help us increase customer satisfaction.

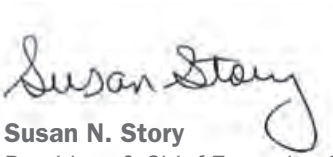
Highly satisfied customers are essential to a fair and constructive regulatory environment. Constructive regulatory frameworks are necessary for us to provide clean, safe and reliable water services. Since 2010, American Water has worked with regulators and staff to gain approval of 16 new regulatory mechanisms, all designed to help us invest more while keeping services affordable. And our employees continue to work with state and federal officials to help the nation and our states tackle serious water infrastructure challenges beyond those of our own. In the past five years, legislation has been enacted in five of the states we serve to directly help communities address distressed water and wastewater systems.

We had a great year of growth in our regulated businesses in 2016. We added approximately 42,000 customers through acquisitions, 13,000 through organic growth and have pending acquisitions representing another 40,000 customers. On the market-based side of the business, our Contract Services Group signed a 10-year operation and maintenance agreement with the township of South Orange Village, N.J., serving 4,700 customers. Our Military Services Group began service at Vandenberg Air Force Base in California, and our Homeowner Services business launched a municipal partnership in Georgetown, S.C. We now have more than 1.6 million contracts in our Homeowner Services business.

This type of growth is an outcome of our cycle of success. Engaged employees, safe and efficient operations, smart investments, highly satisfied customers and constructive regulatory environments deliver sustainable performance and financial results. For 2016, our total shareholder return was 23.6 percent, and we strengthened our balance sheet and increased our dividends.

We are glad you have chosen to invest in American Water, and we don't ever take that fact — or you — for granted. On behalf of the company and our employees, I want to thank you for your continued support. We are proud of what our people achieved in 2016 — and are even more excited about our future. We hope that you are, too.

Sincerely,



Susan N. Story
President & Chief Executive Officer

THE CYCLE OF SUCCESS

It begins with engagement. Every employee. Every way. The value of an engaged workforce can be measured in many ways. Teamwork. Trust. Increased productivity. More satisfied customers. And an even better bottom line: one recent study showed that companies with highly engaged workforces outperform their peers by almost 150 percent in earnings per share. But what motivates the people of American Water is more than the pursuit of a goal. It arises from a deep personal commitment to doing what needs to be done — both on and off the job.

HERE ARE JUST A FEW EXAMPLES.

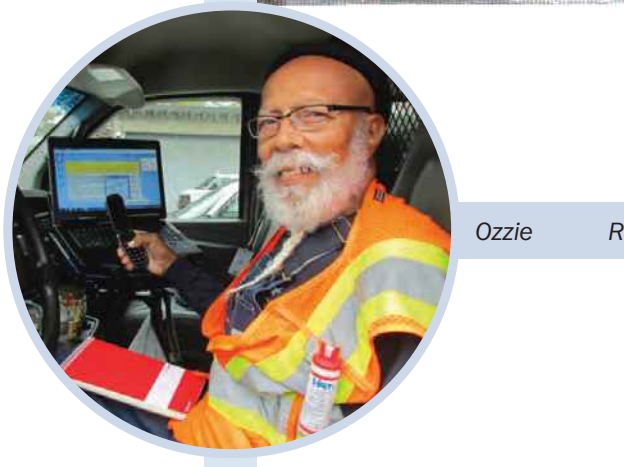
Helping flood victims hundreds of miles away. Nick DiPaolo, of our Military Services Group, calls New Jersey home. And he remembers how volunteers came from afar to help in the aftermath of Superstorm Sandy. So when Louisiana was devastated by flooding this past August, Nick decided it was his turn to "pay it forward" and help. After setting up a GoFundMe page to raise funds for flood victims, he traveled to Baton Rouge to give out supplies, and help clean up houses of residents who were too old, infirm or disabled to do it themselves. "It's important to help others when they're in distress," he said. "I wish I could have done more."

Acting quickly to save lives. For crew members Dave Kerr, Jim Welker, Scott Graziani and Pat Acuri, it was just a routine service line repair on an ordinary street in New Castle, Pa. — until Jim noticed smoke coming out of a nearby attic window. While Jim called 911, the others ran to the door to alert the elderly couple who lived in the house. As the house filled with smoke, Scott and Pat escorted the husband from the kitchen, and Dave helped his wife down the stairs to safety. "It was automatic," said Dave. "It had to be done and we did it." Although, he added, "I hope we never have to do it again."

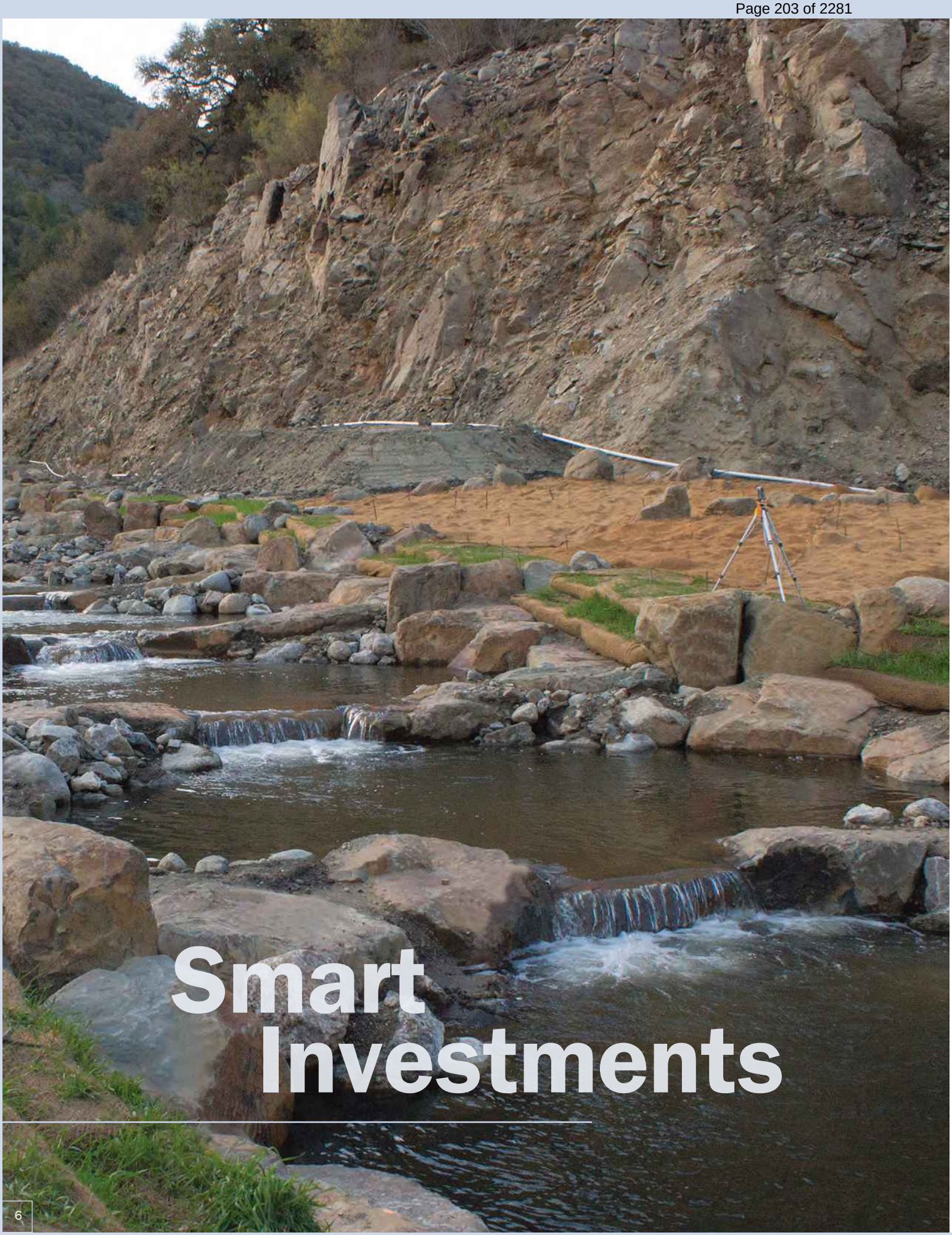
Coming together for the communities we serve. Every September, American Water employees are encouraged to volunteer for projects and programs in their local communities as part of our company wide AmerICANs in Action! Month of Service. In 2016, they responded at a record level: nearly 2,270 employees contributed more than 4,000 hours to 116 different projects — including a food drive in Pennsylvania, a toy drive in Illinois, a community garden project in California, the cleanup and repair of a children's park in West Virginia, and many more. In addition, our Environmental Grant Program, which has provided more than $1.4 million to local efforts, marked its 10th year of helping to protect and preserve natural water resources.

Celebrating very long-term engagements. "I've had a lot of jobs here, and I've loved them all," said Field Service Representative Ozzie Rosser, as he celebrated 50 years with New Jersey American Water. But he still has a way to go before he catches up to Charles Kelley, his Field Service counterpart at Indiana American Water, who has put 60 years into the job. "I enjoy what I do, so I never really had a reason to leave," he noted. Neither employee, we're happy to report, plans to retire anytime soon.

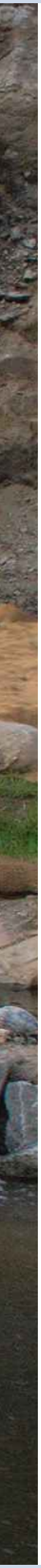
Charles K



Ozzie R



Smart Investments



It's not just how much we invest that counts. It's how well.

Few industries are as capital-intensive as ours. Much of the infrastructure we build today will last not for just years, but decades. Our capital investment strategy balances today's immediate challenges with the need to meet the highest possible standards of water quality and reliability for generations to come. Of the approximately $1.5 billion to be invested in the coming year, $1.3 billion will help generate more long-term improvements similar to many of the projects completed in 2016, with the rest being used to bring other systems into our family.

Returning a river to nature. Its flow impeded by the antiquated San Clemente Dam, California's Carmel River was among America's most endangered waterways. In 2013, California American Water, in partnership with the California State Coastal Conservancy and National Oceanic and Atmospheric Administration's National Marine Fisheries Service, began a massive, $84 million effort to remove the dam and restore the local watershed to its natural state.

On June 6, 2016, California American Water joined conservation groups, residents and public officials in celebrating the successful completion of the project. It was the largest of its kind in California history and was named Green Project of the Year by American Infrastructure Magazine.

Replacing old infrastructure with new technology. The past year also saw the completion of a three-year, $12 million project to modernize aging facilities in West Virginia's Eastern Kanawha County. The scope of the project encompassed everything from installing 14 miles of new pipeline to replacing two old storage tanks with a new one providing three times greater capacity.

And, by joining the Kanawha Valley system with the neighboring Montgomery County system, we were able to retire a water treatment plant built in the 1930s.

Smarter investing through technology. For 10 years, New Jersey American Water's Geographical Information System (GIS) has given employees immediate access to a vast repository of vital information, such as sites of service lines, valves, hydrants and meters, as well the exact locations of customers affected by water emergencies.

In 2016, the system was enhanced to guide decisions about which capital improvements should be given priority. By analyzing variables like age, capacity, material and many others throughout more than 9,000 miles of pipeline, GIS helps ensure infrastructure investment funds are deployed in a timely and efficient way.

Sustained growth through targeted investment. A strategy for American Water is to bring wastewater services to our existing water customers. In 2016, Pennsylvania American Water completed its acquisition of the assets of the Scranton Sewer Authority, and was pleased to welcome approximately 31,000 new wastewater customers, as well as the new employees who joined the Pennsylvania team. Pennslyvania American Water, which already operates wastewater systems in 12 different counties, has a pending acquisition agreement with the city of McKeesport, as well.

Another announced agreement was the proposed acquisition of the Shorelands Water, a privately owned water utility in New Jersey. Shorelands serves more than 11,000 accounts in Monmouth County, which was designated by the state as a Critical Area in water supply. This acquisition will provide a direct link with our water system in Union Beach, making the system more resilient.

The many dividends of safe and efficient operations

Important goals in their own right, safety and efficiency contribute to the success cycle in other ways as well. Every $1 we save by working smarter and more productively becomes $7 we can invest in capital improvement without any effect on customers' bills. And our unwavering focus on safety benefits both our employees on the job and the health of the communities we serve.

Recognized leadership in water quality and safety. It's an unmatched record: in virtually every measure of water quality, energy conservation and environmental stewardship, American Water sets the standard for the industry.

We have consistently surpassed compliance with federal and state drinking water requirements — a level of performance 21 times above the national average — and have won more awards from the EPA's Partnership for Safe Water than any other utility nationwide.

In 2016, American Water was the only water utility to be named by Newsweek to its annual list of "America's Top Green Companies."

Seven years ago, we publicly committed to a 16 percent reduction in our 2007 level of greenhouse gas (GHG) emissions by the year 2017. We have not only already reached that goal, we have exceeded it: In 2016, our total GHG emissions were 24.5 percent lower than in 2007.

Saving. By design. To more efficiently plan large capital projects, we apply the process of value engineering.

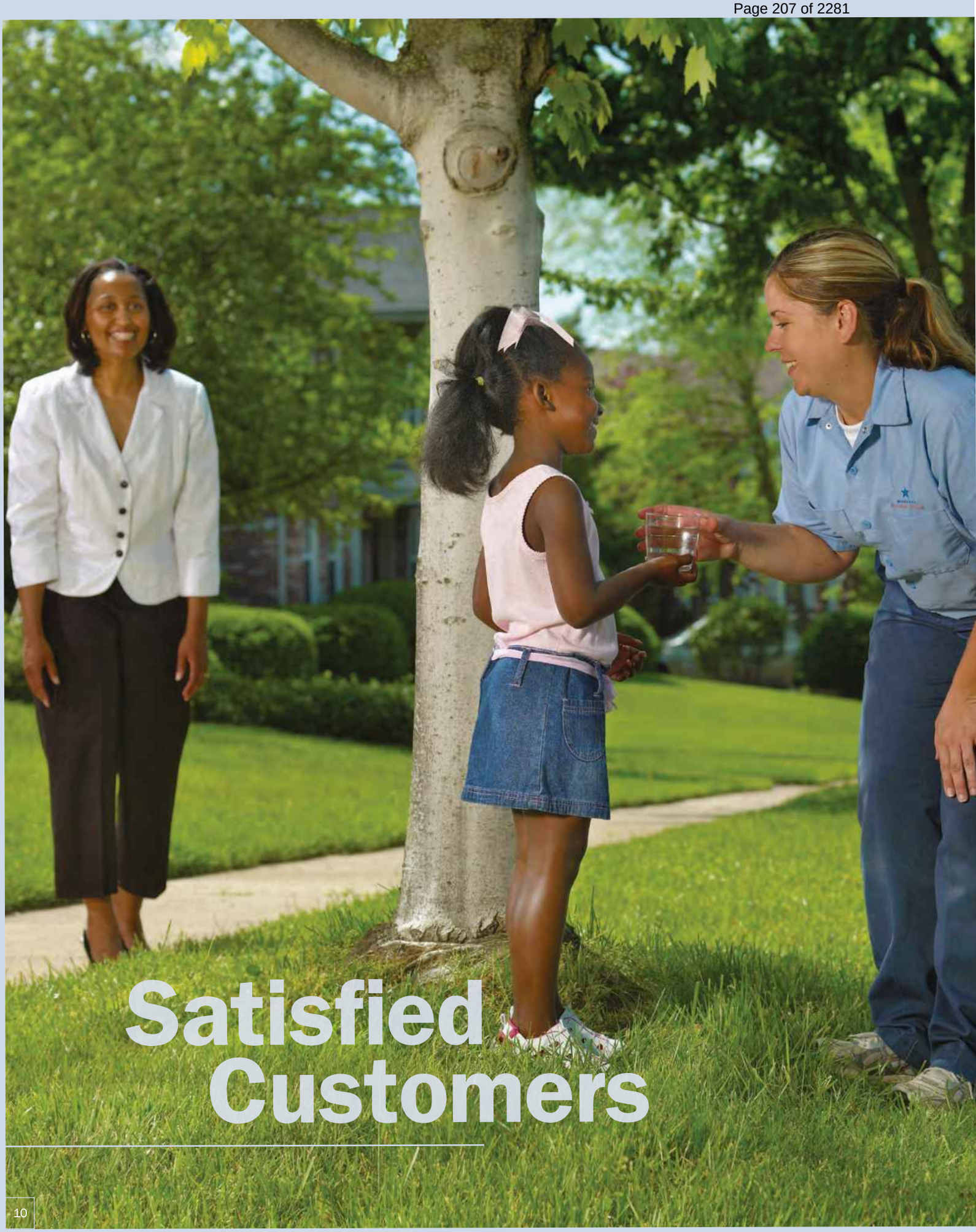
For example, before we started work on a new reservoir in Maryland, we brought in a team of expert engineers to review the project. By recommending such changes as relocating the intake screen and reducing the depth of the liner in the reservoir, they helped us drive down the cost of the project by $625,000.

Capitalizing on innovation. Because it typically requires major excavation of streets and roads, conventional pipeline replacement can be costly, lengthy and disruptive. Now, with trenchless pipe technology, it's simply a matter of accessing the existing pipe, cleaning it and lining it with new material. Still relatively new to water service, trenchless technology accounts for 5 percent of our pipeline projects — and is already saving $5 million a year.

Leveraging greater value. Being America's largest publicly traded water utility gives us the purchasing power to manage savings throughout our supply chain — adding value for both the company and our customers. Last year alone, we leveraged that power to lower the price we pay for meters and pipes to achieve savings of $2.7 million.

Seizing opportunities to reduce cost. In an energy-deregulated state such as New Jersey, companies can use reverse auctions to make competing energy suppliers bid for business. In 2016, New Jersey American Water completed an auction that will save a total of $9 million in electricity costs over the next three years. Because every dollar we save in cost is worth seven times as much in capital investment, that translates into more than $60 million worth of system upgrades and improvements in one state alone.

Safe & Efficient



Satisfied Customers

Customer satisfaction has never mattered more.

Customers are at the center of all we do — in many ways and for many reasons. First and foremost is our commitment to deliver the best customer service. Plain and simple, the better we serve them, the better company we are.

For utility companies like American Water, studies have consistently shown that higher levels of customer satisfaction lead to more positive regulatory outcomes and better performance.

Consumers have never expected more. When it comes to customer service, we don't believe in comparing ourselves only to other water utilities. In a time when consumers can make a purchase in the morning and expect to have it on their doorstep in the afternoon, we have to keep pace with companies that offer the best customer experience. The typical utility is a company that people *have* to choose; our goal is to be the one they *want* to choose.

Every personal interaction with a customer we serve is an opportunity to foster greater satisfaction. In 2016, we made significant strides toward that goal.

Enhancing the experience. One click at a time. For many people, our website is the face of American Water. What they see in 2017 is very different — more attractive, engaging and navigable.

We've made it faster and easier to sign up for paperless billing and Auto Pay, alert notifications, and water quality reports; to get news and information; and, because it's been optimized for mobile devices, to access the site from anywhere.

In 2016, we reached another milestone when our online customer management account system surpassed the 1 million mark in registered customers.

Answering the call. Our call centers are a frequent point of customer contact. It's not always possible to answer every call when it comes in, but new technology we're installing will, by empowering each caller, help make the experience a more pleasant one. It's called "Virtual Hold," and it gives the caller either the average hold time, or the choice of hanging up and having us call back when his/her time in the queue comes up.

Communicating. Communicating. Communicating. Our customer alert system allows our customers to tell us how they want to hear from us. Whether it is a text, an email or the website, we are increasing our efforts to proactively let customers know when we are in their community, making investments to improve service.

The same goes for when there is a disruption of service. When unexpected events like main breaks and other water emergencies occur, customers need information as quickly as possible. Our high-speed notification system helps ensure our customers know what happened and when it will be resolved.

Checking up. On ourselves. To see how well we're doing, we go right to the most trusted and informed source of all: our own customers. We survey them through an independent firm on a national level, both online and via telephone, and share the data with individual states. When a customer interacts with a customer service or field rep, we follow up to make sure the experience went well — and if not, to correct any problems that occurred. For us, customer satisfaction is not just a goal, it's also a constantly improving work in progress.

Constructive regulation and legislation

One of our nation's most pressing problems is aging water infrastructure, much of which is rapidly approaching the end of its useful life. When utilities like American Water are able to apply their expertise and invest more resources toward solving this problem in the areas they serve, everyone benefits. Customers are provided clean, safe and affordable water. Municipalities are spared major capital outlays. And employees and those who invest in the company share in its financial performance and future growth.

Building upon our established reputation for outstanding customer service and satisfaction, American Water is helping create new models for efficient and constructive regulation in states across our footprint.

Leading the way. Many communities are challenged by water and wastewater systems in need of repair that compete for limited public funds with equally critical priorities like roads and schools. If just one community makes the investments it needs in its water system, it could result in very high water bills for customers. Giving communities more options and removing barriers is critical. Some states have done this by changing laws that required the systems to be priced according to their depreciated cost, rather than their actual value.

Multiple states (see chart) have enacted Fair Market Value legislation that allows municipalities to sell water and wastewater systems for a price that better reflects their actual value. Because Fair Market Value pricing enables rates to be set based on that value, utilities can make needed investments while balancing the impact on customer bills.

In Kentucky, helping public-private partnerships thrive. State and local governments throughout America face a dilemma: at a time when the need for massive, long-term infrastructure investment has never been more pressing, their budgets have never been tighter. For some, the answer is the creation of public-private partnerships, in which business and government work together to achieve specific goals.

By 2015, three dozen states had passed legislation that established frameworks for public-private partnerships. In early 2016, with the signing of House Bill 308, Kentucky joined their ranks. As a company with significant operations in the state, American Water is helping to make this initiative a success.

In New Jersey, expediting urgently needed solutions. In extreme cases, municipal water and sewer systems have been neglected to the point of posing a threat to public health and the environment. Until 2015, local utilities could sell these challenged systems only through a voter-approved referendum — an often lengthy process that could delay needed remediation. But with passage of the Water Infrastructure Protection Act (WIPA), municipalities that meet certain "emergent conditions" can choose to bypass a referendum and get to a resolution faster. WIPA also allows the systems to be appraised at fair market value.

The success of WIPA in our home state of New Jersey has inspired other states to consider similar legislation.

Regulated Acquisitions: En

1997	2012	
CA Fair market value	**PA** Water and wastewater revenue requirement consolidation	

Constructive Efforts

s: Enabling Growth Through Consolidation

	2013	2015	2016
	IL Fair market value and post-acquisition deferrals **MO** Fair market Value	**NJ** Fair market value **IN** Fair market value	**PA** Fair market value and post-acquisition deferral **IN** Fair market value expansion **PA** Clarifying combined stormwater systems as wastewater

Providing Clean Water for Life is vital to our communities.

Our focus on our customers resulted in another year of effectively providing clean, safe, reliable and affordable water and water services to millions of people every day.

CORPORATE INFORMATION

Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP
Two Commerce Square, Suite 1700
2001 Market Street
Philadelphia, PA 19103-7042

Stock Transfer Agent
American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Phone: 1-800-937-5449

BOARD OF DIRECTORS

Susan N. Story
President and Chief Executive Officer of American Water Works Company, Inc.

George MacKenzie
Non-Executive Chairman of the Board
Former Vice Chairman and Chief Financial Officer of Hercules Incorporated

Julie A. Dobson
Director
Former Chief Operating Officer and Founding Principal of TeleCorp PCS, Inc.

Paul J. Evanson
Director
Former Chairman, Chief Executive Officer and President of Allegheny Energy, Inc.

Martha Clark Goss
Director
Former Chief Operating Officer and Chief Financial Officer of Amwell Holdings/Hopewell Holdings LLC

Veronica M. Hagen
Director
Former Chief Executive Officer of Polymer Group, Inc. (now known as AVINTIV Specialty Materials Inc.)

Julia L. Johnson
Director
President of NetCommunications, LLC

Karl F. Kurz
Director
Former Chief Operating Officer, Anadarko Petroleum Corporation

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

FORM 10-K

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

For the fiscal year ended December 31, 2016

OR

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

For the transition period from _____ to _____

Commission file: number 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common stock, par value $0.01 per share	**New York Stock Exchange, Inc.**

Securities registered pursuant to Section 12(g) of the Act:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, $0.01 par value—$13,463,200,000 as of June 30, 2016 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2016, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2016, to be controlled by, or under common control with, American Water or any of the persons described in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—178,214,748 shares as of February 16, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2016 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

We have made statements in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K ("Form 10-K"), or incorporated certain statements by reference into this Form 10-K, that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things, our future financial performance, including our operation and maintenance ("O&M") efficiency ratio, cash flows, our growth and portfolio optimization strategies, our projected capital expenditures and related funding requirements, our ability to repay debt, our projected strategy to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory, legislative, tax policy or legal developments or rate adjustments, including rate case filings, filings for infrastructure surcharges and filings to address regulatory lag.

Forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results or levels of activity, performance or achievements, and you are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Our actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower rates;
- the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts;
- changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections;
- weather conditions, patterns, events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, electrical storms and solar flares;
- the outcome of litigation and government action related to the Freedom Industries chemical spill in West Virginia, including matters pertaining to the binding global agreement in principle to settle claims related to this chemical spill;
- our ability to appropriately maintain current infrastructure, including our operational and information technology (IT) systems, and manage the expansion of our business;
- exposure or infiltration of our critical infrastructure, operational technology and IT systems through physical or cyber attacks or other disruptions;
- our ability to obtain permits and other approvals for projects;
- changes in our capital requirements;
- our ability to control operating expenses and to achieve efficiencies in our operations;

- the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers;
- our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations;
- our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of our operations;
- our ability to maintain safe work sites;
- our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water management solutions that are focused on customers in the natural gas exploration and production market;
- changes in general economic, political, business and financial market conditions;
- access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends;
- fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements;
- changes in federal or state income tax laws, including tax reform, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. and state net operating loss carryforwards;
- migration of customers into or out of our service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn our systems;
- difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions;
- the incurrence of impairment charges related to our goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the ability to retain and attract qualified employees;
- civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Form 10-K, and you should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements we make speak only as of the date this Form 10-K

was filed with the United States Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

Our Company

With a history dating back to 1886, American Water Works Company, Inc. is a holding company originally incorporated in Delaware in 1936. Through its subsidiaries, American Water is the largest and most geographically diverse investor-owned publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. We also operate several market-based businesses that provide a broad range of related and complementary water and wastewater services. We employ approximately 6,800 professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in 47 states, the District of Columbia and Ontario, Canada.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to "we," "us," "our," the "Company," and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole.

Operating Segments

The largest component of the Company's business includes rate regulated subsidiaries that provide water and wastewater services to customers in 16 states, collectively presented as our "Regulated Businesses". We conduct the majority of our business through the Regulated Businesses segment. We also operate market-based businesses within four operating segments that individually do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"). These four non-reportable operating segments are collectively presented as our "Market-Based Businesses," which is consistent with how management assesses the results of these businesses. Additional information can be found in Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 19—Segment Information in the Notes to Consolidated Financial Statements.

Regulated Businesses

Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial and other customers, including sale for resale and public authority customers. Our Regulated Businesses that provide these services operate in approximately 1,600 communities in 16 states in the United States and are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation, referred to as Public Utility Commissions ("PUCs"). Certain federal and state governments also regulate environmental, health and safety, and water quality matters. We report the results of the services provided by our utilities in our Regulated Businesses segment.

Our Regulated Businesses segment's operating revenues were $2,871 million for 2016, $2,743 million for 2015 and $2,674 million for 2014, accounting for 86.9%, 86.8% and 88.8%, respectively, of total operating revenues for the same periods.

The following table summarizes our Regulated Businesses' operating revenues, number of customers and estimated population served by state, each as of and for the year ended December 31, 2016:

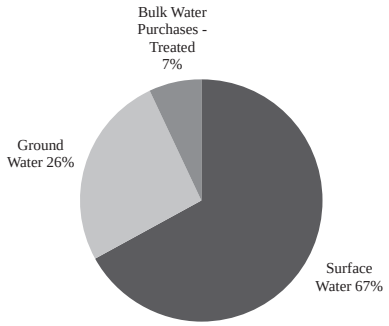
	Operating Revenues (In millions)	% of Total	Number of Customers (In thousands)	% of Total	Estimated Population Served (In millions)	% of Total
New Jersey	$ 730	25.4%	671	20.3%	2.7	22.1%
Pennsylvania	639	22.3%	709	21.4%	2.3	18.8%
Missouri	288	10.0%	476	14.4%	1.5	12.3%
Illinois	275	9.6%	315	9.5%	1.3	10.7%
Indiana	212	7.4%	300	9.1%	1.3	10.7%
California	211	7.4%	176	5.3%	0.7	5.7%
West Virginia	142	4.9%	169	5.1%	0.5	4.1%
Subtotal (Top Seven States)	2,497	87.0%	2,816	85.0%	10.3	84.4%
Other (a)	374	13.0%	496	15.0%	1.9	15.6%
Total Regulated Businesses	$ 2,871	100.0%	3,312	100.0%	12.2	100.0%

(a) Includes data from our utilities in the following states: Georgia, Hawaii, Iowa, Kentucky, Maryland, Michigan, New York, Tennessee and Virginia.

Water Supply and Wastewater Services

Our Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to our customers and collect, treat, transport and recycle wastewater. Typically, we do not own the water itself, which is held in public trust and is allocated to us through contracts and allocation rights granted by federal and state agencies or through the ownership of water rights pursuant to local law. We are dependent on defined sources of water supply and obtain our water supply from surface water sources such as reservoirs, lakes, rivers and streams; from ground water sources, such as wells and aquifers; and water purchased from third party water suppliers. The level of treatment we apply to the water varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically generally require significant treatment, while groundwater sources require chemical treatment only.

The following chart depicts the sources of water supply as of December 31, 2016:



The percentages of water supply by source type for our top seven states based on our Regulated Businesses operating revenues for 2016 were as follows:

	Surface Water	Ground Water	Purchased Water
New Jersey	72%	23%	5%
Pennsylvania	91%	7%	2%
Missouri	80%	19%	1%
Illinois	53%	36%	11%
Indiana	44%	55%	1%
California	—	66%	34%
West Virginia	99%	—	1%

Our ability to meet the existing and future water demands of our customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination, or other factors may limit the availability of ground and surface water. We employ a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of our service areas may mitigate some of the economic effect on the water supply associated with weather extremes we might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas we serve may experience wetter than average weather.

In our long-term planning, we evaluate quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that we have adequate water supply, we use long-term planning processes and maintain contingency plans to minimize the potential impact on service through a wide range of weather fluctuations. In connection with supply planning for most surface or groundwater sources, we employ models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. An example of our use of long-term planning to ensure that we have adequate water supply is our involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, owned by California-American Water Company, our wholly owned subsidiary ("Cal Am"), which includes the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between the Monterey Regional Water Pollution Control Agency ("MRWPCA") and the Monterey Peninsula Water Management District ("MPWMD"). The Water Supply Project is intended, among other things, to fulfill obligations of Cal Am to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB").

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Economic Regulation and Rate Making Process

Our Regulated Businesses operate under a regulatory compact whereby, in exchange for exclusive rights to provide water and wastewater services in defined service territories, we have an obligation to serve customers within those territories requesting service, within reasonable limits. In return for agreeing to invest capital into our water and wastewater systems, we are given the opportunity to recover our costs of doing business and earn a reasonable rate of return on our investments.

The operations of our Regulated Businesses are generally subject to regulation and oversight by their respective state PUCs, with the primary responsibility of the PUCs to promote the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states PUCs approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, capital expenditures, O&M expenses, taxes, transactions and affiliate relationships, reorganizations and mergers and acquisitions. Regulatory policies vary from state to state and could potentially change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

The process to obtain approval for a change in rates generally occurs by way of a rate case filed by the utility with the PUC on a periodic basis. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility's need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions.

Our rate case management program is guided by the principles of obtaining timely recovery of capital investment costs, recognition of declining sales resulting from reduced consumption and appropriate recovery of utility operating and maintenance costs, including costs incurred for compliance with environmental regulations. The program attempts to minimize the delay, or "regulatory lag" between the time our Regulated Businesses make a capital investment or incur an operating expense increase, and the time when those costs are reflected in rates. The management team at each of our utilities accounts for the time required for the regulatory process, and files rate cases with the goal of obtaining rates that reflect as closely as possible the cost of providing service at the time the rates become effective.

Our Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Examples of approved regulatory practices include:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharges	Allows rates to change periodically, outside a general rate proceeding, to reflect recovery of investments made to replace infrastructure necessary to sustain safe, reliable and affordable services for our customer. These mechanisms typically involve an upfront review of overall multi-year investment plans as well as periodic filings and reviews to ensure transparency.	IL, IN, MO, NJ, NY, PA, TN, WV
Future test year	A test period used for setting rates, that begins with the date new rates are effective. This allows current or projected revenues, expenses and investments to be collected on a more timely basis.	CA, HI, IL, IN, KY, NY, PA, TN, VA
Hybrid test year	Allows an update to historical data for "known and measurable" changes that occur subsequent to the historical test year.	IA, MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction. In addition, some states, such as Indiana, allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudency of such projects.	CA, IL, KY, NY PA, TN, VA

Regulatory Practices	Description	States Allowed
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate proceeding or deferred until the next general rate proceeding.	CA, IL, MD, MO, NJ, NY, PA, TN, VA, WV
Revenue stability mechanisms	Separates a water utility's cost recovery from the amount of water it sells to recover its fixed costs and on-going infrastructure investment needs. Such a mechanism adjusts rates periodically to ensure that a utility's revenue will be sufficient to cover its costs regardless of sales volume, while providing an incentive for customers to use water more efficiently.	CA, IL, NY
Consolidated tariffs	Use of a unified rate structure for multiple water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state and is generally used to moderate the impact of periodic fluctuations in local costs while lowering administrative costs for customers. Pennsylvania also permits a blending of water and wastewater rate structures.	IA, IL, IN, KY, MD, MO, NJ, PA, WV

We pursue or seek enhancement to these regulatory practices to facilitate efficient recovery of our costs and investments, in order to provide safe, reliable and affordable services to our customers. The ability to seek regulatory treatment as described above does not guarantee that the state PUCs will accept our proposal in the context of a particular rate case, and these practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also our strategy to expand their use in areas where they may not currently apply.

We also support state legislation that enables the consolidation of the largely fragmented water and wastewater industries. Legislation in certain states has generally enabled sales between interested parties, has allowed a reasonable market valuation of purchased property, and has enabled consolidation of water and wastewater rates.

Customers

Our Regulated Businesses have a large and geographically diverse customer base. A customer is a person, corporation, municipality or any other entity that purchases our water or wastewater services as of the last business day of a reporting period. Also, a single customer may purchase our services for use by multiple individuals or businesses in the case of many homes, apartment complexes, businesses and governmental entities.

Residential customers make up the majority of our customer base in all of the states in which we operate. In 2016, residential customers accounted for 91.1% of our customer base, 59.0% of the billed water sales and 55.5% of the operating revenues of our Regulated Businesses. We also serve commercial customers, such as offices, retail stores and restaurants; industrial customers, such as large-scale manufacturing and production operations; and public authorities, such as government buildings and other public sector facilities, including schools. We also supply water through our distribution systems to public fire hydrants for firefighting purposes, to private fire customers for use in fire suppression systems in office buildings and other facilities, as well as to other water utilities in the form of bulk water supplies for distribution to their own customers.

The vast majority of our regulated water customers are metered, which allows us to measure and bill for our customers' water usage, typically on a monthly basis. We employ a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices (touch read) or via radio frequency to mobile or fixed network data collectors. The majority of new meters are able to support future advances in electronic meter reading. Our wastewater customers are billed either a flat rate or based on their water consumption.

The following table summarizes the number of water and wastewater customers we served by class as of December 31:

	2016		2015		2014	
(In thousands)	**Water**	**Wastewater**	**Water**	**Wastewater**	**Water**	**Wastewater**
Residential	2,846	171	2,829	133	2,814	118
Commercial	220	10	219	8	218	6
Industrial	4	—	4	—	4	—
Public & other	61	—	60	—	59	—
Total	3,131	181	3,112	141	3,095	124

Customer growth in our Regulated Businesses is primarily driven by the following factors:

- adding new customers to our regulated customer base by acquiring water and/or wastewater utility systems;
- organic population growth or decline in our authorized service areas; and
- the sale of water to other community water systems.

Generally, we add customers through acquisitions of small and medium water and/or wastewater systems in close geographic proximity to areas where we operate our Regulated Businesses, which we refer to as "tuck-ins." The proximity of tuck-in opportunities to our regulated footprint allows us to integrate and manage the acquired systems and operations primarily using our existing management and to achieve operational efficiencies and prioritize capital investment needs. Pursuing tuck-ins has been and continues to be a fundamental part of our growth strategy. We intend to continue to expand our regulated footprint geographically by acquiring water and wastewater systems in our existing markets and, if appropriate, pursue acquisition opportunities in certain domestic markets where we do not currently operate our Regulated Businesses. Before entering new regulated markets, we will evaluate the business and regulatory climates to ensure that we will have the opportunity to achieve an appropriate rate of return on our investment while maintaining our high standards for providing safe, reliable and affordable services to our customers, as well as a line of sight to grow our base customers after entering the new market. For more information, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—2016 Strategic Focus & Achievements—Growth.

Seasonality

Customer demand for our water service is affected by weather and is generally greater during the summer months primarily due to increased usage for irrigation systems and other outdoor water use. As such, we typically expect our operating revenues to be the highest in the third quarter of each year compared to any of the other quarters. However, varying summer weather conditions can impact our third quarter financial results. Summer weather that is cooler and/or wetter than average generally serves to suppress customer water demand and can reduce water operating revenues and operating income. Summer weather that is hotter and drier than average generally increases operating revenues and operating income.

Competition

In our Regulated Businesses, we generally do not face direct competition in our existing markets because: (i) we operate in those markets pursuant to certificates of public convenience and necessity (or similar authorizations) issued by state PUCs; and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a high barrier to market entry. However, our Regulated Businesses do face competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. Our largest investor-owned competitors, when pursuing acquisitions, based on a comparison of operating revenues and population served, are Aqua America, Inc., United Water (owned by Suez Environnement Company S.A.), American States Water Company and California Water Service Group. From time to time, we also face competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp. and Corix.

All or portions of our regulated subsidiaries' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods:

- eminent domain (also known as condemnation);
- the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity was granted; and
- the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its certificate.

The acquisition consideration related to such a transaction initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular franchise or charter.

We actively monitor condemnation activities that may affect us as developments occur. We do not believe that condemnation poses a material threat to our ability to operate our Regulated Businesses, either individually or taken as a whole.

Market-Based Businesses

Through our Market-Based Businesses, we provide services to military bases; municipalities; oil and gas exploration and production companies; and to some commercial, industrial and residential customers. These customers are not subject to economic regulation by state PUCs and do not require significant capital investment.

Our Market-Based Businesses segment's operating revenues were $451 million for 2016, $434 million for 2015 and $355 million for 2014, accounting for 13.7%, 13.7% and 11.8%, respectively, of total operating revenues for the same periods. Included within the Market-Based Businesses segment results is operating revenues attributed to Canadian operations of $6 million, $6 million, and $7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Our Market-Based Businesses are comprised of four operating segments:

- Military Services Group, which enters into long-term contracts, generally 50 years, with the U.S. Department of Defense for the O&M of the water and wastewater systems on certain military bases;
- Homeowner Services Group, which primarily provides warranty-type services to homeowners and smaller commercial customers to protect against the cost of repairing broken or leaking water pipes or clogged or blocked sewer pipes, located inside and outside their premise, as well as interior electric line repairs and other services;

- Contract Operations Group, which enters into contracts primarily to operate and maintain water and wastewater facilities and other related services mainly for municipalities and the food and beverage industry; and
- Keystone, which provides customized water sourcing, transfer services, pipeline construction, water and equipment hauling and water storage solutions, for natural gas exploration and production companies.

Military Services Group

Our Military Services Group operates on 12 military bases under 50-year contracts with the U.S. Department of Defense ("DoD"). The scope of the contracts includes O&M of the water and wastewater systems on the bases and a capital program. The replacement of assets assumed when a contract is awarded to the Company is funded from the contract fee. At times, new assets are required to support the base's mission. Construction of new assets are funded by the U.S. DoD as additional work under the contract. The capital program does not use the Company's equity or debt borrowings; however, some working capital is used to fund work-in-process until paid by the U.S. DoD. The contract price for nine of these contracts is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. Three of these contracts are subject to annual price adjustments under a mechanism similar to price redetermination, called "Economic Price Adjustment." During the contract term, we may make limited short-term working capital investments under our contracts with the U.S. DoD. All of these contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In either event, pursuant to termination provisions applicable to these contracts, we would be entitled to recover allowable costs that we may have incurred under the contract, plus the contract profit margin on incurred costs.

Homeowner Services Group

Our Homeowner Services Group, through our various protection programs, provides services to domestic homeowners and smaller commercial customers to protect against the cost of interior and external water and sewer line repairs, interior electric line repairs and other services. Our LineSaver™ program involves partnering with utilities, municipalities and other organizations to offer our protection programs to customers serviced by or affiliated with those municipalities and organizations. Terms of these partnership agreements are typically three to five years in length, with optional renewals. As of December 31, 2016, our Homeowner Services Group had approximately 1.7 million customer contracts in 43 states and the District of Columbia and 10 LineSaver™ partnership agreements with municipalities and other organizations.

Contract Operations Group

Our Contract Operations Group enters into public/private partnerships, including: (i) O&M; (ii) Design; Build and Operate; and (iii) Design, Build, Finance, Operate and Maintain contracts for the provision of services to water and wastewater facilities for municipalities, the food and beverage industry and other customers. Historically, we have made minimal long-term capital investment under these contracts; instead we perform our services for a fee. Occasionally, we provide our customers with financing for capital projects as part of a long-term O&M partnership. As of December 31, 2016, our Contract Operations Group had 43 contracts across the United States and Canada, varying in size and scope and ranging in length from one to 30 years.

Keystone

In July 2015, we acquired a ninety-five percent interest in Water Solutions Holdings, LLC, including its wholly owned subsidiary, Keystone Clearwater Solutions, LLC (collectively referred to as "Keystone").

Keystone is a water management solution company currently focused on exploration and production customers in the Appalachian Basin, as well as customers in the municipal water services market. Keystone primarily provides customized water sourcing, transfer, storage and transport services, along with pipeline construction services for natural gas exploration and production companies. Keystone operates under master service agreements that generally range from two to five years. When the initial term of these agreements expire, they typically renew automatically on an annual basis and generally are cancelable by either party with 30 days prior notice. As of December 31, 2016, Keystone serves 58 customers.

Competition

We face competition in our Market-Based Businesses from a number of service providers, including Veolia Environnement S.A., American States Water Company, Operations Management International, Inc. and Southwest Water Company, particularly in the area of O&M contracting. Securing new O&M contracts is highly competitive, as these contracts are awarded based on a combination of customer relationships, service levels, competitive pricing, references and technical expertise. We also face competition in maintaining existing O&M contracts to which we are a party, as the municipal and industrial fixed term contracts frequently come up for renegotiation and are subject to an open bidding process. Our Homeowner Services Group faces competition primarily from HomeServe USA, Pivotal Home Solutions (owned by Southern Company Gas) and Dominion Energy Solutions. Keystone currently faces competition from water service providers that typically provide particular segments of the water management cycle, such as Rockwater Energy Solutions, Rain for Rent and Fluid Delivery Solutions, LLC.

Industry and Regulatory Matters

Overview

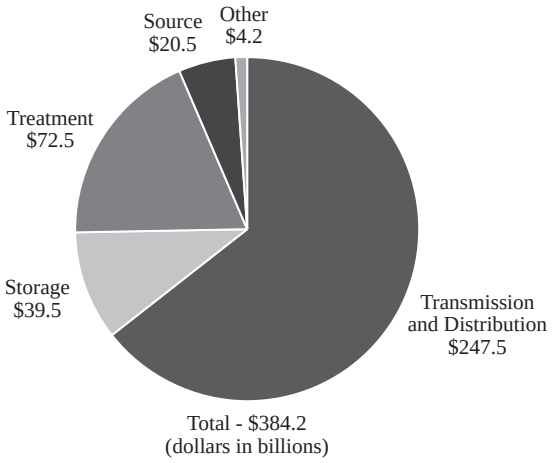
The United States water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. Both industries are highly fragmented. The U.S. Environmental Protection Agency (the “EPA”) estimates that approximately 84% of the United States water market is served by municipal systems and approximately 98% of the country’s wastewater systems are government owned. According to the EPA, there are approximately 50,000 community water systems and approximately 20,000 community wastewater systems in the United States. Over half of the community water systems are very small, serving a population of 500 or less.

This large number of relatively small, fragmented water systems and wastewater systems may result in inefficiencies in the marketplace, since such utilities may not have the operating expertise, financial and technological capability or economies of scale to provide services or raise capital as efficiently as larger utilities. Larger utilities that have greater access to capital are generally more capable of making mandated and other necessary infrastructure upgrades to both water and wastewater systems. In addition, water and wastewater utilities with large customer bases, spread across broad geographic regions, may more easily absorb the impact of significant variations in precipitation and temperatures, such as droughts, excessive rain and cool temperatures in specific areas. Larger utilities generally are able to spread support services over a larger customer base, thereby reducing the costs to serve each customer. Since many administrative and support activities can be efficiently centralized to gain economies of scale, companies that participate in industry consolidation have the potential to improve operating efficiencies, lower costs per unit and improve service at the same time.

The aging water and wastewater infrastructure in the United States is in need of modernization and replacement. Increased regulations to improve water quality and the management of water and wastewater residuals’ discharges, which began with passage of the Clean Water Act in 1972 and the Safe Drinking Water Act in 1974, have been among the primary drivers of the need for modernization. In 2011, the EPA estimated that the nation’s drinking water utilities needed $384.2 billion in infrastructure investments between 2011 and 2030, for thousands of miles of pipe, treatment plants, storage tanks and other key assets, to ensure the public

health, security and economic well-being of our cities, towns and communities. In the *Clean Watersheds Needs Survey 2012 Report to Congress,* the EPA also estimated that $271.0 billion of capital investments and would be necessary between 2012 and 2032, to meet the nation's wastewater and stormwater treatment and collection needs. Additionally, in 2013, the American Society of Civil Engineers ("ASCE") published its *Report Card for America's Infrastructure,* in which it gave the water and wastewater infrastructure a grade of "D" because much of the infrastructure is nearing the end of its useful life. The ASCE report concluded that there will be an investment gap between 2013 and 2020 of $84 billion for drinking water and wastewater infrastructure.

The following chart depicts estimated aggregate capital expenditure needs from 2011 through 2030 for United States drinking water systems:



Note: Numbers may not total due to rounding
Source: U.S. Environmental Protection Agency's 2011 Drinking Water Infrastructure Needs Survey and Assessment

Environmental, Health and Safety, and Water Quality Regulation

Our water and wastewater operations, including the services provided by both our Regulated Businesses and Market-Based Businesses, are subject to extensive U.S. federal, state and local laws and regulations, and in the case of our Canadian operations, Canadian laws and regulations governing the protection of the environment, health and safety, the quality of the water we deliver to our customers, water allocation rights and the manner in which we collect, treat, discharge, recycle and dispose of wastewater. These regulations include the Safe Drinking Water Act, the Clean Water Act and other U.S. federal, state, local and Canadian laws and regulations governing the provision of water and wastewater services, particularly with respect to the quality of water we distribute. We also are subject to various U.S. federal, state, local and Canadian laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. State PUCs also set conditions and standards for the water and wastewater services we deliver.

Environmental, health and safety, and water quality regulations are complex and change frequently. The overall trend has been that they have become increasingly stringent over time. As newer or stricter standards are introduced, our capital and operating costs could increase. We incur substantial costs associated with compliance with environmental, health and safety, and water quality regulation to which our operations are subject. In the past, our Regulated Businesses have generally been able to recover costs associated with compliance related to environmental, health and safety standards; however, this recovery is affected by regulatory lag and the

corresponding uncertainties surrounding rate recovery. We estimate that we will make capital expenditures of $83 million during 2017 and $78 million during 2018 for environmental control facilities, which we define for this purpose as any project (or portion thereof) that involves the preservation of air, water or land.

We maintain an environmental program including responsible business practices, compliance with environmental laws and regulations, effective use of natural resources, and stewardship of biodiversity. We believe that our operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations. Water samples from across our water systems are analyzed on a regular basis for compliance with regulatory requirements. Across our Company, we conduct over one million water quality tests each year at our laboratory facilities and plant operations, including continuous on-line instrumentations such as monitoring turbidity levels, disinfectant residuals and adjustments to chemical treatment based on changes in incoming water. For 2016, we achieved a score of greater than 99% for drinking water compliance and according to the EPA's statistics, American Water's performance has been far better than the industry average over the last several years. In fact, in 2016, American Water systems were 21 times better than the industry average for compliance with drinking water requirements.

We participate in the Partnership for Safe Water, the EPA's voluntary program to meet more stringent goals for reducing microbial contaminants. With 69 of our 81 surface water plants receiving the program's "Director" award, which recognizes utilities that: (1) have completed a comprehensive self-assessment report, (2) created an action plan for continuous improvement and (3) produced high quality drinking water, we account for approximately one-third of the plants receiving such awards nationwide. In addition, 66 American Water surface water plants have received the "Five-Year Phase III" award, while 60 plants have been awarded the "Ten-Year Phase III" award. Additionally, 39 surface water plants received the "Fifteen-Year Phase III" award, which recognizes plants that have met the Director award status for 15 years. Further, nine surface water plants have been awarded the "Presidents" award, which recognizes treatment plants that achieve the Partnership's rigorous individual filter effluent turbidity standards.

Safe Drinking Water Act

The Federal Safe Drinking Water Act and regulations promulgated thereunder establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous naturally occurring and man-made chemical and microbial contaminants and radionuclides allowable in drinking water and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems which may be used for removing those contaminants and other requirements. Federal and state water quality requirements have become increasingly stringent, including increased water testing requirements, to reflect public health concerns. To date, the EPA has set standards for approximately 90 contaminants and indicators for drinking water.

The EPA Administrator has the authority to require monitoring for additional unregulated contaminants to help formulate the basis for future regulations. Many of our systems recently completed the process for monitoring 28 unregulated contaminants under the third round of the Unregulated Contaminant Monitoring Rule, and our laboratory and systems are preparing for the fourth round of testing expected to begin in 2018. There are thousands of other chemical compounds that are not regulated, many of which are lacking a testing methodology, occurrence data, health effects information and/or treatment technology. The process of developing new drinking water standards is long and complicated, but American Water actively participates with the EPA and other water industry groups by sharing its research and water quality operational knowledge.

To effect the removal or inactivation of microbial organisms, the EPA has promulgated various rules to improve the disinfection and filtration of drinking water and to reduce consumers' exposure to disinfectants and by-products of the disinfection process. In January 2006, the EPA promulgated the Long-term 2 Enhanced Surface Water Treatment Rule and the Stage 2 Disinfectants and Disinfection Byproduct Rule. In October 2006, the EPA finalized the Ground Water Rule, applicable to water systems providing water from underground

sources. In July 2014, the State of California implemented a primary drinking water standard of 10 micrograms per liter for hexavalent chromium. In 2016, the revised Total Coliform Rule implemented a "find and fix" process where exceedance of bacterial trigger levels requires an assessment to correct any sanitary defects. We are in compliance with these standards. The EPA is actively considering regulations for a number of contaminants, including strontium, hexavalent chromium, fluoride, nitrosamines, perchlorate, some pharmaceuticals and certain volatile organic compounds. We do not anticipate that any such regulations, if enacted, will require implementation in 2017.

The EPA revised the monitoring and reporting requirements of the existing Lead and Copper Rule in 2007 and Congress enacted the Reduction of Lead in Drinking Water Act in January 2011 regarding the use and introduction into commerce of lead pipes, plumbing fittings or fixtures, solder and flux. However, the events in Flint, Michigan have highlighted attention on the occurrence of lead—primarily in building plumbing—and it is anticipated that the EPA will propose updated regulations in 2017. American Water's inventory of lead service lines is expected to be completed by the end of 2017. It is currently estimated that approximately 5% of our service lines contain lead. Our goal is to replace our lead service lines over approximately 10 years, at an estimated cost of $600 million to $1.2 billion. In cases where we are replacing an American Water owned lead service line, our standard approach will be to replace the company-owned portion and work with the customer to replace the customer-owned portion of the service line, all the way to the customer's home. Replacing the full service line is considered a best practice as advised by the Lead Service Line Replacement Collaborative, a collaborative of leading water industry organizations. We do not plan on replacing customer-owned lead service lines at locations where our portion of the service line does not contain lead or is not part of a main replacement project.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, we do not expect current requirements under the Safe Drinking Water Act and other similar laws to have a material impact on our operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates traditionally have been recognized by the state PUCs as appropriate for inclusion in establishing rates. As a result, we expect to recover the operating and capital costs resulting from these pending or future requirements.

Clean Water Act

The Federal Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to our wastewater collection systems, our operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA or implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of penalties, and persistent non-compliance could lead to significant penalties and compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on our operations. From time to time, discharge violations occur at our facilities, some of which result in fines. We do not expect any such violations or fines to have a material impact on our results of operations or financial condition.

Other Environmental, Health and Safety, and Water Quality Matters

Our operations also involve the use, storage and disposal of hazardous substances and wastes. For example, our water and wastewater treatment facilities store and use chlorine and other chemicals which generate wastes that require proper handling and disposal under applicable environmental requirements. We also could incur remedial costs in connection with any contamination relating to our operations or facilities or our off-site disposal of wastes. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue

orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as the owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although we are not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs. Our facilities and operations also are subject to requirements under the U.S. Occupational Safety and Health Act and are subject to inspections thereunder. For further information, see Item 1—Business—Research and Development.

Certain of our subsidiaries are involved in pending legal proceedings relating to environmental matters. Further description of these proceedings can be found in Item 3—Legal Proceedings.

Research and Development

We have a research and development program, which seeks to improve water quality and operational effectiveness in all areas of our business. Our research and development personnel are located in New Jersey and Illinois. In addition, our quality control and testing laboratory in Belleville, Illinois supports our research and development activities through testing and analysis.

We continue to collaborate with the EPA to achieve effective environmental, health and safety, and water quality regulation. This relationship includes sharing of our research and national water quality monitoring data in addition to our treatment and distribution system optimization research. Our engagement with the EPA provides us with early insight into emerging regulatory issues and initiatives, thereby allowing us to anticipate and to accommodate our future compliance requirements.

Approximately one-quarter of our research budget is funded by competitively awarded outside research grants. Such grants reduce the cost of research and allow collaboration with leading national and international researchers. In 2016, we spent $4 million, including $1 million funded by research grants. Spending, net of research grant funding, amounted to $3 million in 2015 and 2014.

We believe that continued research and development activities are critical for providing safe, reliable and affordable services, as well as maintaining our leadership position in the industry, which provides us with a competitive advantage as we seek additional business with new and existing customers.

Support Services

American Water Works Service Company, Inc. (“Service Company”) is our wholly owned subsidiary that provides support and operational services for our operating subsidiaries. These services are provided predominantly to our Regulated Businesses under the terms of contracts with these subsidiaries that have been approved by state PUCs, where necessary. These services are also provided to our Market-Based Businesses organized under American Water Enterprises. They are only provided to Keystone upon its request. These services, which are provided at cost, may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, rates support, security, risk management, treasury, water quality and research and development. Service Company also operates two national customer service centers located in Alton, Illinois and Pensacola, Florida, which provide customer relations, operations and field service support to the Regulated Businesses. The services are provided at cost and enable our Regulated Businesses and Market-Based Businesses to fulfill their responsibilities in a more cost-effective manner.

Our security department provides oversight and policy guidance of physical and information security throughout our operations and is responsible for designing, implementing, monitoring and supporting active and

effective physical, operational technology and IT security controls. Vulnerability assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for further capital investment in security for the facility. Operational technology and IT security controls are deployed or integrated as a preventative measure against unauthorized access to company information systems. These controls are aimed at assuring the continuity of business processes that are dependent upon automation; seek to ensure the integrity of our data; support regulatory and legislative compliance requirements; and aimed at maintaining safe and reliable service to our customers. We are in contact with U.S. federal, state and local law enforcement agencies to coordinate and improve the security of our water delivery systems and to safeguard our water supply.

Employee Matters

As of December 31, 2016, approximately 46% of our workforce is represented by unions. As of that date, we had 78 collective bargaining agreements in place with 17 different unions representing our unionized employees. Also, we have two collective bargaining agreements beyond expiration that affect approximately 100 employees, all of which are actively working under the terms of the existing agreements, and one collective bargaining agreement in its initial stage of renegotiation, affecting approximately 25 employees. During 2017, 35 of our collective bargaining agreements will expire in accordance with their terms.

Executive Officers

The following table summarizes the name, age, offices held and business experience for each of our executive officers, as of February 21, 2017:

Name	Age	Office and Experience
Susan N. Story	57	**President and Chief Executive Officer.** Ms. Story has served as President and Chief Executive Officer of the Company since May 2014. Ms. Story served as Senior Vice President and Chief Financial Officer of the Company from April 2013 until May 2014. Prior to joining American Water, she served as President and Chief Executive Officer of Southern Company Services, a subsidiary of Southern Company, from January 2011 until March 2013 and President and Chief Executive Officer of Gulf Power Company, also a subsidiary of Southern Company, from 2003 until December 2010. Since 2008, Ms. Story has served as a member of the board of directors of Raymond James Financial, Inc., a diversified financial services company, and as lead director since 2016. On January 24, 2017, Ms. Story was elected to the board of directors of Dominion Resources, Inc., a producer and transporter of energy.
Deborah A. Degillio	45	**President, American Water Enterprises.** Ms. Degillio has been President of American Water Enterprises since May 2016. From January 2015 to May 2016, Ms. Degillio served as the Company's Vice President and Treasurer. Prior to that time, Ms. Degillio served as Vice President of Finance of American Water Enterprises from November 2013 to February 2015, as a Vice President in the Company's Finance team for its Eastern Division from June 2009 until October 2013, and as Director of Financial Planning and Analysis for American Water's then Western states, from April 2007 until May 2009.
Jennifer Gambol	41	**Vice President and Treasurer.** Ms. Gambol has served as the Company's Vice President and Treasurer since May 2016. From February 2015 to May 2016, Ms. Gambol served as Vice President of Finance of American Water Enterprises. Prior to joining the Company, Ms. Gambol served as Vice President, Finance and Investor Relations of The J.G. Wentworth Company, a diversified financial services company focused on direct-to-consumer financing, since July 2012. From May 2003 to July 2012, Ms. Gambol held various finance, accounting and financial reporting roles at E.I. du Pont de Nemours and Company.

Name	Age	Office and Experience
Brenda J. Holdnak	63	**Senior Vice President of Human Resources.** Dr. Holdnak has served as the Company's Senior Vice President Human Resources since January 1, 2016 and its Vice President Human Resources from January 19, 2015 to December 31, 2015. Prior to joining American Water, she served as President of Holdnak and Associates Consulting, a human resources consulting firm, from June 2014 to December 2014. Prior to that time, she served as Director of Talent Management of The Babcock & Wilcox Company, from March 2011 to June 2014. Previously, she served as Director of Change Management and Organizational Development of Medtronic, Inc. from May 2010 to March 2011 and an Executive Consultant/ Principal of the Henly Consulting Group from July 2006 to January 2011. Dr. Holdnak has announced her retirement from the Company effective March 1, 2017.
Walter J. Lynch	54	**Executive Vice President and Chief Operating Officer.** Mr. Lynch has over 20 years of experience in the water and wastewater industry. Mr. Lynch has served as the Company's Executive Vice President and Chief Operating Officer since January 1, 2016, as Chief Operating Officer of Regulated Operations from February 26, 2010 to December 31, 2015, and President of Regulated Operations from July 2008 to December 31, 2015. Mr. Lynch joined us in 2001. In addition, Mr. Lynch is on the Board of Directors of the National Association of Water Companies and serves on its Executive Committee.
Michael A. Sgro	58	**Executive Vice President, General Counsel and Secretary.** Mr. Sgro has over 20 years of experience in the water and wastewater industry. He has served as the Company's Executive Vice President, General Counsel and Secretary since January 1, 2016 and its Senior Vice President, General Counsel and Secretary from February 2015 to January 2016. Prior to that, he served as the Company's Interim General Counsel and Secretary from January 2015 until February 2015 and as Vice President, General Counsel and Secretary of American Water's Northeast Division beginning in 2002.
Mark F. Strauss	65	**Senior Vice President of Corporate Strategy and Business Development.** Mr. Strauss has been our Senior Vice President of Corporate Strategy and Business Development since September 2010. From December 2006 to September 2010, Mr. Strauss served as President of American Water Enterprises. In January 2016, Mr. Strauss was appointed to the Board of Directors of Fulton Financial Corporation, a Lancaster, Pennsylvania-based financial holding company, and Fulton Bank of New Jersey, its wholly owned bank subsidiary.
Linda G. Sullivan	53	**Executive Vice President and Chief Financial Officer.** Ms. Sullivan has served as the Company's Executive Vice President and Chief Financial Officer since January 1, 2016 and the Company's Senior Vice President and Chief Financial Officer from May 2014 to December 31, 2015. Prior to joining American Water, Ms. Sullivan served as the Senior Vice President and Chief Financial Officer of Southern California Edison Company, a subsidiary of Edison International, from July 2009 until May 2014, and Vice President and Controller of both Edison International and Southern California Edison Company, from July 2004 until July 2009. Ms. Sullivan is a Certified Public Accountant (inactive) and a Certified Management Accountant. In addition, Ms. Sullivan serves on the board of directors of University of Maryland University College Ventures and serves on its Audit & Finance Committee.

Name	Age	Office and Experience
Loyd "Aldie" Warnock	57	**Senior Vice President of External Affairs, Communications and Public Policy.** Mr. Warnock has served as the Company's Senior Vice President of External Affairs, Communications and Public Policy since April 2014. Prior to joining the Company, he served as Senior Vice President of External Affairs at Midwest Independent System Operator, Inc., a non-profit, self-governing organization, from March 2011 to April 2014. Prior to that, he served as Vice President of External Affairs for Allegheny Energy, Inc. from December 2005 to February 2011 and Senior Vice President of Governmental and Regulatory Affairs at Mirant Corporation from July 2004 to November 2005.
Melissa K. Wikle	51	**Vice President and Controller.** Ms. Wikle joined the Company in July 2016 as its Vice President and Controller, and assumed the duties of the Company's principal accounting officer in August 2016. Prior to joining the Company, Ms. Wikle served as Corporate Controller and Chief Accounting Officer of Columbus McKinnon Corporation, a publicly-traded worldwide designer, manufacturer and marketer of material handling products, systems and services, since April 2011. Ms. Wikle is a Certified Public Accountant.

Each executive officer is elected annually by the Board of Directors and serves until his or her respective successor has been elected and qualified or his or her earlier death, resignation or removal.

Available Information

We are subject to the reporting requirements of the Exchange Act. We file or furnish annual, quarterly and current reports, proxy statements and other information with the SEC. You may obtain a copy of our annual reports on Form 10-K, our quarterly reports on Form 10-Q or our current reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Investor Relations section of our website, *https://amwater.com,* as soon as reasonably practicable after we file or furnish the information to the SEC. Information contained on our website shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. We recognize this website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with our disclosure obligations under SEC Regulation FD.

The American Water corporate governance guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding our corporate governance, are available on our website, *https://amwater.com,* and will be made available, without charge, in print to any stockholder who requests such documents from our Investor Relations Department, American Water Works Company, Inc., 1025 Laurel Oak Road, Voorhees, NJ, 08043.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Form 10-K, the following factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our utility operations are subject to extensive economic regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our utility operations also may be subject to fines, penalties and other sanctions for the inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to economic regulation by state PUCs. Economic regulation affects the rates we charge our customers and has a significant impact on our business and results of operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request to an extent that is sufficient to:

- cover our expenses, including purchased water and costs of chemicals, fuel and other commodities used in our operations;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval of the PUCs is also required in connection with other aspects of our utilities' operations. State PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Our utilities are also required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if rates are sufficient, we face the risk that we will not achieve the rates of return on our invested capital to the extent permitted by state PUCs. This could occur if certain conditions exist, including but not limited to, if water usage is less than the level anticipated in establishing rates, or if our investments or expenses prove to be higher than the level estimated in establishing rates.

Our operations and the quality of water we supply are subject to extensive environmental, water quality and health and safety laws and regulations. Compliance with increasingly stringent laws and regulations could impact our operating costs; and violations of such laws and regulations could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our water and wastewater operations and the operations of our Market-Based Businesses are subject to extensive federal, state and local laws and regulations and, in the case of our Canadian operations, Canadian laws and regulations that govern the protection of the environment, health and safety, the quality of the water we deliver to our customers, water allocation rights, and the manner in which we collect, treat, discharge and dispose of wastewater. These requirements include CERCLA, the Clean Water Act and the Safe Drinking Water Act, and similar state and Canadian laws and regulations. For example, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

In addition, state PUCs also set conditions and standards for the water and wastewater services we deliver. If we deliver water or wastewater services to our customers that do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves supplying water for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations, and their enforcement, generally have become more stringent over time, and new or stricter requirements could increase our costs. Although we may seek to recover ongoing compliance costs in our rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity.

We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination at our properties, including potential spills of hazardous chemicals, such as chlorine, which we use to treat water, or at off-site locations where we have disposed of waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to emerging contaminants, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of emerging contaminants include, but are not limited to, newly created chemical compounds (including, for example, perfluorinated compounds and manufactured nanomaterials); human and veterinary products; microbes, viruses, amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants. Our role is to meet or surpass those standards, when established. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for an emerging contaminant in the absence of a regulatory standard. Furthermore, while we seek to protect our drinking water from these contaminants by implementing multi-step treatment processes, reviewing research on these contaminants, and developing appropriate mitigation techniques for new contaminants where feasible or appropriate, given the rapid pace at which emerging contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe emerging contaminants may form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies as a result of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams and groundwater aquifers, are held in the public trust and are not owned by private interests. As a result, we typically

do not own the water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities. Passing-flow requirements set minimum volumes of water that must pass through specified water sources, such as rivers and streams, in order to maintain environmental habitats and meet water allocation rights of downstream users. Allocation rights are imposed to ensure sustainability of major water sources and passing-flow requirements are most often imposed on source waters from smaller rivers, lakes and streams. These requirements, which can change from time to time, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, or other factors may limit the availability of ground and surface water.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with an October 20, 2009 cease and desist order (the "2009 Order"), as amended by an order in July 2016 (the "2016 Order"), of the SWRCB that requires Cal Am to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule which was extended to December 31, 2021 (the "2021 Deadline"). We are also required to augment our Monterey County sources of water supply to comply with the requirements of the Endangered Species Act. We cannot predict whether Cal Am will be able to secure alternative sources of water, or if Cal Am will be exposed to liabilities if it is unable to meet the 2021 Deadline under the 2009 Order and the 2016 Order. If Cal Am or any of our other subsidiaries are unable to secure an alternative source of water, or if other adverse consequences result from the events described above, our business, financial condition, results of operations and cash flows could be adversely affected. See Item 3—Legal Proceedings in this report, which includes additional information regarding this matter.

The current regulatory rate setting process may result in a significant delay, also known as "regulatory lag," from the time that we invest in infrastructure improvements, incur increased operating expenses or experience declining water usage, to the time at which we can seek to address these events in rate case applications; our inability to minimize regulatory lag could adversely affect our business.

There is typically a delay, known as "regulatory lag," between the time one of our regulated subsidiaries makes a capital investment or incurs an operating expense increase and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water usage in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to reduce this regulatory lag could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to reduce regulatory lag by pursuing constructive regulatory policies. For example, eight state PUCs permit rates to be adjusted outside of the rate case application process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC approved rates. Furthermore, in setting rates, a number of state PUCs allow us to use future test years, which extend beyond the date a rate request is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such programs include states that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or power, conservation, chemical or other expenditures. These surcharge mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under the rate case application process. While these programs have reduced regulatory lag in several of our regulated states, we continue to seek expansion of programs to reduce regulatory lag in those jurisdictions that have not approved such programs. Furthermore, PUCs may fail to adopt new surcharge programs and existing programs may not continue in their current form, or at all. Although we intend to continue our efforts to expand state PUC approval of surcharges to address issues of regulatory lag, our efforts may not be successful, or even if successful they may not completely address our regulatory lag, in which case our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations and changes in certain agreements can significantly affect our business, financial condition, results of operations, cash flows and liquidity.

New legislation, regulations, government policies or court decisions can materially affect our operations. The individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes in the individuals who serve as regulators and the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to raise our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets or issue securities, or making it less cost-effective for us to do so;
- negatively impacting the deductibility of expenses under federal or state tax laws, the amount of tax credits or tax abatement benefits that may be available, the amount of taxes owed, or the ability to utilize our net operating loss carryforwards;
- changing regulations that affect the benefits we expected to receive when we began offering services in a particular area;
- increasing the costs associated with complying with environmental, health, safety and water quality regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via eminent domain;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of the certificates of public convenience and necessity (or similar authorizations) issued to us by state PUCs.

Any of the foregoing consequences could have an adverse effect on our business, financial condition, results of operations, cash flows and liquidity.

Furthermore, the results of the November 2016 Federal, state and local elections have generated some uncertainty as to certain future new or changes in existing laws, rules or regulations, or administrative interpretations thereof. At this time, we are unable to determine or predict the potential impacts, if any, of such new or amended laws, rules or regulations, or interpretations thereof, to the extent they may be ultimately enacted, adopted or issued, on us or our businesses, financial condition and results of operations.

Service disruptions caused by severe weather conditions or natural disasters may disrupt our operations and economic conditions may reduce the demand for water services, either of which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather and other natural events are possible across all our businesses. These include storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, severe electrical storms and solar flares. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. In addition, adverse economic conditions can cause our customers, particularly industrial customers, to curtail operations. A curtailment of operations by an industrial customer would typically result in reduced water usage. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions could adversely affect our financial condition and results of operations.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal drought conditions that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. As examples, drought conditions have persisted in California over a five-year period, and, more recently, have been declared in New Jersey. In May 2016, the Governor of California issued an executive order that retained existing water use restrictions, but required state agencies to adjust, among other things, water conservation regulations through the end of January 2017 to account for differentiation in water supply conditions throughout the state, to adopt new water use targets as part of a permanent framework for urban water usage and conservation, to prohibit permanently practices that waste potable water and to direct actions that minimize significant water system leaks. Moreover, in October 2016, a drought warning was declared in 14 northern and central New Jersey counties by the New Jersey Department of Environmental Protection, and while mandatory use restrictions have not presently been adopted, residents, business and other institutions in the affected areas have been urged to use water sparingly. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot assure that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after drought restrictions are repealed and the drought has ended, which could adversely affect our business, financial condition, results of operations and cash flows.

Some scientific experts are predicting a worsening of weather volatility in the future. Changing severe weather patterns could require additional expenditures to reduce the risk associated with any increasing storm, flood and drought occurrences. The issue of climate change is receiving increased attention worldwide. Many climate change predictions, if true, present several potential challenges to water and wastewater utilities, such as: increased frequency and duration of droughts, increased precipitation and flooding, potential degradation of water quality, and changes in demand for services. Because of the uncertainty of weather volatility related to climate change, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment. In 2016, we invested $1.3 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems

could increase in the future. We expect to fund capital improvement projects using cash generated from operations, borrowings under our revolving credit facility and commercial paper programs and issuances of long-term debt. We may not be able to access the debt and equity capital markets, when necessary or desirable to fund capital improvements on favorable terms or at all.

In addition, we could be limited in our ability to both pursue growth and pay dividends in accordance with our dividend policy. In order to fund construction expenditures, acquisitions, principal and interest payments on our indebtedness, and dividends at the level currently anticipated under our dividend policy, we expect that we will need additional financing.

The ability to obtain financing at reasonable rates is contingent upon our credit ratings and general market conditions. If we do not obtain sufficient financing, we could be unable to maintain our existing property, plant and equipment, fund our capital investment strategies, meet our growth targets and expand our rate base to enable us to earn satisfactory future returns on our investments. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, or other obstacles. Each of these outcomes could adversely affect our financial condition, results of operations and cash flows.

Weather conditions could adversely affect demand for our water service and our revenues.

Demand for our water during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, demand tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the demand for our water may decrease and adversely affect our revenues.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve significant environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Moreover, if we are deemed liable for any damage caused by overflow or disposal operations, our losses might not be covered by insurance, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

Contamination of our sources of water or water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reduction in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, are subject to contamination, including, by among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from man-made sources (such as perchlorate, methyl tertiary butyl ether, lead and other materials, chemical spills or other accidents that result in contaminants entering the water source), and possible terrorist attacks. In addition, new categories of these substances continue to emerge in the water treatment industry. If one

of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) continuing limited use of the water supply under a "Do Not Use" protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through expansion of our current treatment facilities, or development of new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms. Any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies.

In this regard, on January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances into the Elk River near the West Virginia-American Water Company ("WVAWC") treatment plant intake in Charleston, West Virginia. On October 31, 2016, the U.S. District Court for the Southern District of West Virginia approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle claims arising out the Freedom Industries chemical spill (the "Settlement"). Under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia for the amounts paid by WVAWC, net of insurance recoveries, under the Settlement. See Item 3—Legal Proceedings, which includes additional information regarding this matter.

Since we engage in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, can result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances in the water or water supplies. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are not insured.

We maintain insurance coverage as part of our overall legal and risk management strategy to minimize potential liabilities arising from our utility operations, as well as the operations of our Market-Based Businesses. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage or for which we are not insured.

Although in the past we have been generally able to cover our insurance needs, there can be no assurances that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or other sanctions.

Water and wastewater utilities, including our regulated subsidiaries, have a large customer base and as a result are exposed to public criticism regarding, among other things, the reliability of their water and wastewater services, the quality of water provided, and the amount, timeliness, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view companies such American Water and its regulated subsidiaries in a favorable light, and may cause American Water and its regulated subsidiaries to be susceptible to less favorable legislative and regulatory outcomes, as well as increased regulatory oversight and more stringent regulatory requirements. Unfavorable regulatory outcomes may include the enactment of more stringent laws and regulations governing our operations, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on American Water and each of our regulated subsidiaries' business, financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 80 dams, a failure of any of which could result in personal injury and downstream property damage for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases, the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes and storage systems located across the United States. A failure of major pipes or reservoirs could result in injuries and property damage for which we may be liable. The failure of major pipes and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems. Any further acquisitions we undertake may involve risks. Further, competition for acquisition opportunities from other regulated utilities, governmental entities, and strategic and financial buyers may hinder our ability to grow our business.

An important element of our growth strategy is the acquisition of water and wastewater systems in order to broaden our current, and move into new, service areas. We may not be able to acquire other businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. Further, competition for acquisition opportunities from other regulated utilities, governmental entities, and strategic and financial buyers may hinder our ability to expand our business.

The negotiation of potential acquisitions as well as the integration of acquired businesses with our existing operations could require us to incur significant costs and cause diversion of our management's time and resources. Future acquisitions by us could result in, among other things:

- incurrence or assumption of debt, contingent liabilities and environmental liabilities of or with respect to an acquired business, including liabilities that were unknown at the time of acquisition;
- failure to recover acquisition premiums;
- unanticipated capital expenditures;
- issuances of our equity securities;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly results;
- unanticipated acquisition-related expenses;
- failure to realize anticipated benefits, such as cost savings and revenue enhancements; and
- difficulties in assimilating personnel, benefits, services and systems.

Some or all of these items could have a material adverse effect on our business and our ability to finance our business, pay dividends and to comply with regulatory requirements. The businesses we acquire in the future may not achieve anticipated sales and profitability, and any difficulties we encounter in the integration process could interfere with our operations, reduce our operating margins and adversely affect our internal control over financial reporting.

We compete with governmental entities, other regulated utilities, and strategic and financial buyers, for acquisition opportunities. If consolidation becomes more prevalent in the water and wastewater industries and competition for acquisitions increases, the prices for suitable acquisition candidates may increase to unacceptable levels and limit our ability to expand through acquisitions. In addition, our competitors may impede our growth by purchasing water utilities adjacent to or near our existing service areas, thereby impairing our ability to geographically expand the affected service areas. Competing governmental entities, utilities, environmental or social activist groups, and strategic and financial buyers have challenged, and may in the future challenge, our efforts to acquire new companies and/or service areas. Our growth could be hindered if we are not able to compete effectively for new companies and/or service areas with other companies or strategic and financial buyers that have lower costs of operations. Any of these risks may adversely affect our business, financial condition, results of operations and cash flows.

The assets of our Regulated Businesses are subject to condemnation through eminent domain or other similar authorized process.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of

the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. Should a municipality or other government subdivision or a citizen group seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition, we may resist the acquisition.

Contesting an exercise of condemnation through eminent domain or other process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management of the affected Regulated Business from the operation of its business. Moreover, our efforts to resist the condemnation or process may not be successful.

If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant one-time charges.

We rely on technology systems to facilitate the management of our business and customer and supplier relationships, and a disruption of these systems could adversely affect our business.

Our technology systems, particularly our operational technology and IT systems, are an integral part of our business, and any disruption of these systems could significantly limit our ability to manage and operate our business efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. For example, we depend on these systems to bill customers, process orders, provide customer service, manage certain plant operations and construction projects, manage our financial records, track assets, remotely monitor certain of our plants and facilities and manage human resources, inventory and accounts receivable collections. These systems also enable us to purchase products from our suppliers and bill customers on a timely basis, maintain cost-effective operations and provide service to our customers. While we continue to implement, upgrade and replace our operational technology and IT systems, a number of our mission- and business-critical IT systems are older, such as our SCADA (supervisory control and data acquisition) system.

Although we do not believe that these systems are at a materially greater risk of failure or cybersecurity incidents than other similar organizations, our operational technology and IT systems remain vulnerable to damage or interruption from:

- power loss, computer systems failures, and internet, telecommunications or data network failures;
- operator negligence or improper operation by, or supervision of, employees;
- physical and electronic loss of customer data due to security breaches, cyber attacks, misappropriation and similar events;
- computer viruses;
- intentional security breaches, hacking, denial of services actions, misappropriation of data and similar events; and
- hurricanes, tornadoes, fires, floods, earthquakes and other natural disasters.

These events may result in physical and electronic loss of customer or financial data, security breaches, misappropriation and other adverse consequences. In addition, a lack of or inadequate levels of redundancy for certain of these systems, including billing systems, could exacerbate the impact of any of these events on us. We may not be successful in developing or acquiring technology that is competitive and responsive to the needs of our business, and we might lack sufficient resources to make the necessary upgrades or replacements of outdated existing technology to enable us to continue to operate at our current level of efficiency.

We may be subject to physical and/or cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and/or cyber attacks. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber acts of war or terrorism, vandalism or other causes. Our operational technology and IT systems may be vulnerable to unauthorized access due to hacking, viruses, acts of war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our customers, employees, suppliers and other third parties. While we have instituted certain safeguards to protect our operational technology and IT systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, we could have our operations disrupted, property damaged, and customer and other confidential information stolen; experience substantial loss of revenues, response costs, and other financial loss; and be subject to increased regulation, litigation, and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs.

In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that could be targets of cyber attacks. Any theft, loss and/or fraudulent use of customer, employee or proprietary data as a result of a cyber attack could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

Our inability to efficiently upgrade and improve our operational technology and IT systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. Over the past several years, we have implemented, and have recently implemented with respect to our American Water Enterprises business, improvements to our business processes, and have installed new, and upgraded existing, technology systems. These efforts support our broader strategic initiatives and are intended to optimize workflow, improve our operations and enhance our customer service capabilities. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties consolidating our current systems and implementing new or upgraded systems together with existing systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Our business has inherently dangerous workplaces. If we fail to maintain safe work sites, we can be exposed to not only people impacts but also to financial losses such as penalties and other liabilities.

Our safety record is critical to our reputation. We maintain health and safety standards to protect our employees, customers, vendors and the public. Although we intend to adhere to such health and safety standards and aim for zero injuries, it is extremely difficult to avoid accidents at all times.

Our business sites, including construction and maintenance sites, often put our employees and others in close proximity with large pieces of equipment, moving vehicles, pressurized water, underground trenches and vaults, chemicals and other regulated materials. On many sites we are responsible for safety and, accordingly, must implement safety procedures. If we fail to implement such procedures or if the procedures we implement are ineffective or are not followed by our employees or others, our employees and others may be injured or die. Unsafe work sites also have the potential to increase employee turnover and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the handling and storage of hazardous chemicals, which, if improperly handled, stored or disposed of, could subject us to penalties or other liabilities. We are also subject to regulations dealing with occupational health and safety. Although we maintain functional employee groups whose primary purpose is to ensure we implement effective health, safety, and environmental work procedures throughout our organization, including construction sites and maintenance sites, the failure to comply with such regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations.

As of December 31, 2016, approximately 46% of our workforce was represented by unions, and we had 78 collective bargaining agreements in place with 17 different unions representing our unionized employees. These collective bargaining agreements, including three which expired in 2016, and 15 which will expire during 2017, are subject to periodic renewal and renegotiation. We may not be able to renegotiate labor contracts on terms that are fair to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may adversely affect our financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Our continued success is dependent upon our ability to hire, retain, and utilize qualified personnel.

The success of our business is dependent upon our ability to hire, retain, and utilize qualified personnel, including engineers, licensed operators, water quality and other operating and craft personnel, and management professionals who have the required experience and expertise. From time to time, it may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded for our business needs. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire and retain qualified personnel.

In addition, as some of our key personnel approach retirement age, we need to have appropriate succession plans in place and to successfully implement such plans. If we cannot attract and retain qualified personnel or effectively implement appropriate succession plans, it could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Financial and Market-Related Risks

Our indebtedness could affect our business adversely and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2016, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $7.2 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;

- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

In order to meet our capital expenditure needs, we may be required to make additional borrowings under our revolving credit facility or issue new short-term and long-term debt securities. Moreover, additional borrowings may be required to refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2017, 2018 and 2019 will be $574 million, $457 million and $166 million, respectively. We can provide no assurance that we will be able to access the debt capital markets on favorable terms, if at all. Moreover, if new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to refinance existing debt on favorable terms.

In an attempt to manage our exposure to interest rate risk associated with our issuance of variable and fixed-rate debt, we have entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps, swaptions and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

We will depend primarily on cash flows from operations to fund our expenses and to pay the principal and interest on our outstanding debt. Therefore, our ability to pay our expenses and satisfy our debt service obligations depends on our future performance, which will be affected by financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other factors largely beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected adversely.

Our inability to access the capital or financial markets could affect our ability to meet our liquidity needs at reasonable cost and our ability to meet long-term commitments, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, we rely primarily on our revolving credit facility, commercial paper programs, and the capital markets to satisfy our liquidity needs. In this regard, our principal external sources of short-term liquidity are our $1.6 billion commercial paper program and our $1.75 billion revolving credit facility. Our revolving credit facility expires in accordance with its terms in June 2020. We regularly use our commercial paper program under this revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally can obtain in the commercial paper market. As of December 31,

2016, American Water Capital Corp. ("AWCC"), our wholly owned financing subsidiary, had no outstanding borrowings under the revolving credit facility, and had $849 million of commercial paper outstanding and $88 million in outstanding letters of credit.

Under the terms of our revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the credit facility. If our equity were to decline or debt were to increase to a level that caused our debt to exceed this limit, lenders under the credit facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt under the credit facility immediately due and payable. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility.

Our ability to comply with this and other covenants contained in the revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our stockholders to complete.

Disruptions in the capital markets could also limit our ability to access capital. While our credit facility lending banks have met all of their obligations, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. Our lenders may not meet their existing commitments and we may not be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under this facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Longer term disruptions in the capital and credit markets as a result of uncertainty, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the liquidity needed for our business. Any significant disruption in the capital and credit markets, or financial institution failures could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures.

Any impediments to our access to the capital markets or failure of our lenders to meet their commitments that result from financial market disruptions could expose us to increased interest expense, require us to institute cash conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity.

American Water may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds to American Water.

American Water is a holding company and, as such, American Water has no operations of its own. Substantially all of our consolidated assets are held by subsidiaries. American Water's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends to American Water or repay indebtedness to American Water. Prior to paying dividends to American Water, American Water's regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and covenants and other agreements made or entered into by American Water and its subsidiaries. American Water's subsidiaries are separate legal entities and have no obligation to pay dividends to American Water. A failure or inability of any of these subsidiaries to pay such dividends or

repay intercompany obligations could have a material adverse impact on American Water's liquidity and its ability to pay dividends on its common stock and meet its other obligations.

We may not be able to fully utilize our U.S. and state net operating loss carryforwards.

As of December 31, 2016, we had U.S. federal and state net operating loss ("NOL") carryforwards of approximately $1.2 billion and $625 million, respectively, and management believes these NOLs are more likely than not to be recovered in the future. Our federal NOL carryforwards will begin to expire in 2028, and our state NOL carryforwards will begin to expire in 2017 and will continue to expire through 2036. Our ability to utilize our NOL carryforwards is primarily dependent upon our ability to generate sufficient taxable income. We have, in the past, been unable to utilize certain of our NOLs, and the establishment or increase of a valuation allowance in the future would reduce our deferred income tax assets and our net income.

Our actual results may differ from those estimated by management in making its assessment as to our ability to use the NOL carryforwards. Moreover, changes in income tax laws, the economy and the general business environment could affect the future utilization of the NOL carryforwards. If we are unable to fully utilize our NOL carryforwards to offset taxable income generated in the future, our financial position, results of operations and cash flows could be materially adversely affected.

We have recorded a significant amount of goodwill, and we may never realize the full value of our intangible assets, causing us to record impairments that may negatively affect our results of operations.

Our total assets include $1.3 billion of goodwill at December 31, 2016. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003 and the acquisition of E'Town Corporation by a predecessor to our previous owner in 2001, and, to a lesser extent, the acquisition of Keystone in 2015. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, we have taken significant non-cash charges to operating results for goodwill impairments in the past.

We may be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance or the performance of an acquired business. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or, with respect to Keystone, fluctuations in the level of exploration and production activities in the Marcellus and Utica shale regions served by Keystone, a prolonged depression of natural gas prices or other factors that negatively impact our current or future forecasts of operating results, cash flows or key assumptions. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill would result in a charge to income in the period in which the impairment occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet expectations of our regulators.

Market conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations, which may cause investment returns to fall below our projected return rates. A

decline in the market value of the pension and postretirement benefit plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. If interest rates decrease, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in demographics, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected.

In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that market data compels us to reduce the discount rate used in our assumptions, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flow and financial condition.

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flow and financial condition. We could be required to apply a new or revised standard retroactively, which could adversely affect our results of operations, cash flow and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. Such compliance permits us to, among other things, disclose and report financial and other information in connection with the recovery of our costs and with the reporting requirements under federal securities, tax and other laws and regulations.

We have implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and relevant SEC rules, as well as other applicable regulations. Such internal controls and policies have been and continue to be closely monitored by our management and Board of Directors to ensure continued compliance with these laws, rules and regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated and unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and noncompliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also increase financing costs or could also adversely affect our or AWCC's ability to access the capital markets.

Additional Risks Related to Our Market-Based Businesses

We (excluding our regulated subsidiaries) provide performance guarantees with respect to certain obligations of our Market-Based Businesses, including financial guarantees or deposits, to our public-sector and public clients, which may seek to enforce the guarantees if our Market-Based Businesses do not satisfy these obligations.

Under the terms of some of our agreements for the provision of services to water and wastewater facilities with municipalities, other governmental entities and other customers, American Water (excluding our regulated subsidiaries) provides guarantees of specified performance obligations of our Market-Based Businesses, including financial guarantees or deposits. In the event our Market-Based Businesses fail to perform these obligations, the entity holding the guarantees may seek to enforce the performance commitments against us or proceed against the deposit. In that event, our financial condition, results of operations, cash flows, and liquidity could be adversely affected.

At December 31, 2016, we had remaining performance commitments as measured by remaining contract revenue totaling approximately $3.9 billion, and this amount is likely to increase if our Market-Based Businesses expand. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

American Water Enterprises' operations are subject to various risks associated with doing business with the U.S. government.

We enter into contracts with the U.S. Department of Defense for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to redetermination two years after commencement of operations and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. Any early contract termination or unfavorable price redetermination could adversely affect our financial condition, results of operations and cash flows.

Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or barred from bidding on or receiving awards of new contracts with the U.S. government, which could have a material adverse effect on our results of operations and cash flows.

American Water Enterprises operates a number of water and wastewater systems under O&M contracts and faces the risk that the owners of those systems may fail to provide capital to properly maintain those systems, which may negatively affect American Water Enterprises as the operators of the systems.

American Water Enterprises operates a number of water and wastewater systems under O&M contracts. Pursuant to these contracts, American Water Enterprises operates the system according to the standards set forth in the applicable contract, and it is generally the responsibility of the owner of the system to undertake capital improvements. In some cases, American Water Enterprises may not be able to convince the owner to make needed improvements in order to maintain compliance with applicable regulations. Although violations and fines incurred by water and wastewater systems may be the responsibility of the owner of the system under these contracts, those non-compliance events may reflect poorly on American Water Enterprises as the operator of the system and us, and damage our reputation, and in some cases, may result in liability to us to the same extent as if we were the owner.

Our Market-Based Businesses are party to long-term contracts to operate and maintain water and wastewater systems under which we may incur costs in excess of payments received.

Some of our Market-Based Businesses enter into long-term contracts under which they agree to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities, which includes specified major maintenance for some of those facilities, in exchange for an annual fee. These Market-Based Businesses are generally subject to the risk that costs associated with operating and maintaining the facilities, including production costs such as purchased water, electricity, fuel and chemicals used in water treatment, may exceed the fees received from the municipality or other contracting party. Losses under these contracts or guarantees may adversely affect our financial condition, results of operations, cash flows and liquidity.

Keystone's operations may expose us to substantial costs and liabilities with respect to environmental laws and matters.

Keystone's operations, and the operation generally of natural gas and oil exploration and production facilities by Keystone's customers, are subject to stringent federal, state and local laws, rules, regulations and ordinances governing the release of materials into the environment or otherwise relating to environmental protection. These provisions may require the acquisition by Keystone of permits or licenses before providing its services to customers, prohibit the release of substances defined thereunder as hazardous in connection with these activities, and impose substantial liabilities for the violation thereof that may result from these operations. Failure to comply with these laws, rules, regulations and ordinances may result in substantial environmental remediation and other costs to Keystone, the assessment of administrative, civil and criminal penalties or the issuance of injunctions restricting or prohibiting certain activities. Under existing environmental laws and regulations, Keystone could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether the release resulted from its operations, or whether its operations were in compliance with all applicable laws at the time they were performed. While we have structured and maintained our ownership and control of Keystone's operations in such a way that we believe will insulate the Company, its regulated subsidiaries and its other Market-Based Businesses from any liabilities associated with Keystone's operations, including liabilities for environmental matters, there can be no assurance that such efforts will be sufficient to prevent the Company from incurring liability for the operations of Keystone.

Changes in environmental laws and regulations occur frequently, and any changes to these or other laws governing the natural gas and oil exploration industry that result in more stringent or costly water or wastewater handling, storage, transport, disposal or cleanup requirements could require Keystone to make significant expenditures to maintain compliance with such requirements, may harm Keystone's business and results of operations by reducing the demand for Keystone's water and related services, and may otherwise have a material adverse effect on Keystone's competitive position, financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our properties consist of transmission, distribution and collection pipes, water and wastewater treatment plants, pumping wells, tanks, meters, supply lines, dams, reservoirs, buildings, vehicles, land, easements, software rights and other facilities and equipment. Our properties are used for the operation of our systems, including the collection, treatment, storage and distribution of water, and the collection and treatment of wastewater. Substantially all of our properties are owned by our subsidiaries, and a substantial portion of our property is subject to liens of our mortgage bonds. We lease our corporate offices, equipment and furniture, located in Voorhees, New Jersey from certain of our wholly owned subsidiaries. These properties are utilized by our directors, officers and staff in the conduct of the business.

The properties of our Regulated Businesses segment primarily include 80 dams and 81 surface water treatment plants along with approximately 522 groundwater treatment plants, 1,022 groundwater wells, 121 wastewater treatment facilities, 1,284 treated water storage facilities, 1,433 pumping stations, and 49,635 miles of mains and collection pipes. We have ongoing infrastructure renewal programs in all states in which our Regulated Businesses segment operate. These programs consist of both rehabilitation of existing mains and other equipment and replacement of mains and other equipment that are damaged or have reached, or are near, the end of their useful service lives. The properties of our Market-Based Businesses consist mainly of office furniture and IT equipment and are primarily located in New Jersey. Approximately 51% of all properties that we own are located in New Jersey and Pennsylvania.

We maintain property insurance against loss or damage to our properties by fire or other perils, subject to certain exceptions. For insured losses, we are self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

We believe that our properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Alternative Water Supply in Lieu of Carmel River Diversions

Under the 2009 Order, Cal Am is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by a 1995 SWRCB order. On July 19, 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued an order (the "2016 Order") approving a five-year extension of the deadline to comply with the 2009 Order, to December 31, 2021. On November 29, 2016, the Water Ratepayers Association of the Monterey Peninsula, a citizens' advocacy group, filed an action in Sacramento County Superior Court against the SWRCB and its board members, and naming Cal Am as the real party in interest, seeking to reverse the extension of the 2009 Order, to rescind the designation by the California Public Utilities Commission (the "CPUC") of Cal Am as the public utility water provider to the Monterey Peninsula, and to appoint a receiver to oversee Cal Am's compliance with the 2009 Order, with ultimate transfer to a public entity. This lawsuit is pending.

Regional Desalination Project Litigation

The Regional Desalination Project (the "RDP") involved the construction of a desalination facility in the City of Marina, north of Monterey. The RDP was intended to, among other things, eliminate unauthorized diversions from the Carmel River as required under the 2009 Order. In December 2010, the CPUC approved the RDP, which was to be implemented through a Water Purchase Agreement and ancillary agreements (collectively, the "Agreements") among the Marina Coast Water District ("MCWD"), the MCWRA and Cal Am. In 2011, due to a conflict of interest concerning a former member of the MCWRA's Board of Directors, MCWRA stated that the Agreements were void, and, as a result, Cal Am terminated the Agreements. In April 2015, the CPUC approved a settlement agreement among Cal Am, MCWRA and the County of Monterey to resolve these matters among the parties signing the agreement. On March 23, 2016, the Supreme Court of California granted MCWD's petition for review of the CPUC approval. Action on the petition has been deferred pending consideration and disposition of a related issue in another case.

In October 2012, Cal Am filed a Complaint for Declaratory Relief against MCWRA and MCWD which was ultimately transferred to the San Francisco County Superior Court, seeking a determination as to whether the Agreements are void as a result of the alleged conflict of interest. In June 2015, the court entered a final judgment agreeing with Cal Am's position that four of the five Agreements are void, and one, the credit line

agreement, is not void. On November 10, 2016, the Supreme Court of California denied MCWD's final appeal of this judgment, which allows further proceedings to determine the amount of damages that may be awarded in the proceeding.

In July 2015, Cal Am and MCWRA filed a Complaint in San Francisco County Superior Court against MCWD and RMC Water and Environment, a private engineering consulting firm ("RMC"), seeking to recover compensatory damages in excess of $10 million associated with the failure of the RDP, as well as punitive and treble damages, statutory penalties and attorneys' fees. Shortly thereafter, complaints seeking similar damages were filed in the same court by MCWD and RMC against Cal Am and MCWRA in excess of $19 million in the aggregate. In December 2015, the court consolidated all of these complaints into a single action, which remains pending.

Monterey Peninsula Water Supply Project

The Water Supply Project is intended to reduce water diversions from the Carmel River and involves construction of a desalination plant, owned by Cal Am, and purchase of water by Cal Am from the GWR Project. Cal Am's ability to move forward on the Water Supply Project is subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. On March 17, 2016, the CPUC's Energy Division issued a notice of further schedule delays for the Water Supply Project's environmental review, with environmental certification currently scheduled for completion in November 2017. On January 12, 2017, the CPUC issued a Draft Environmental Impact Report/Environmental Impact Statement.

On September 15, 2016, the CPUC unanimously approved a decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated costs, subject to meeting certain criteria. If construction costs exceed $50 million, Cal Am would be allowed to seek additional cost recovery.

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the California Coastal Commission (the "Coastal Commission") approved coastal development permits for the test slant well, enabling Cal Am to construct the portion that will be under state lands (beneath the ocean floor). In January 2015, Cal Am obtained from the California State Lands Commission (the "State Lands Commission") a required lease as to the state lands. In October 2015, the Coastal Commission approved an amendment to Cal Am's coastal development permits.

In December 2014, the MCWD and the Ag Land Trust, an agricultural land conservancy, filed petitions against the Coastal Commission and Cal Am, which were ultimately transferred to the Santa Cruz County Superior Court, seeking to vacate the Coastal Commission's approval of the coastal development permit and to permanently restrain Cal Am and the Coastal Commission from constructing the test slant well pending full compliance with the California Environmental Quality Act and the California Coastal Act. The court denied these petitions, and on January 11, 2017, the Supreme Court of California denied MCWD's petition for review of this decision. MCWD filed a similar petition in January 2015 against the State Lands Commission and Cal Am, which remains pending.

In November 2015, MCWD filed a Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief in Santa Cruz County Superior Court against the Coastal Commission and Cal Am challenging the amendment of the coastal development permits and seeking an injunction against further test well pumping. On September 15, 2016, the court denied MCWD's petition with respect to all claims, except claims related to those raised in the December 2014 petitions discussed above.

Based on the foregoing, Cal Am estimates that the earliest date by which the Water Supply Project desalination plant could be completed is sometime in 2019. There can be no assurance that Cal Am's application

for the Water Supply Project will be approved or that the Water Supply Project will be completed on a timely basis, if ever. Furthermore, there can be no assurance that Cal Am will be able to comply with the diversion reduction requirements and other remaining requirements under the 2009 Order and the 2016 Order, or that any such compliance will not result in material additional costs or obligations to Cal Am or the Company.

West Virginia Elk River Freedom Industries Chemical Spill

Background

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol, or MCHM, and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the WVAWC treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection, WVAWC took immediate steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a "Do Not Use" order for all of its approximately 93,000 customer accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC's customers were subject to the Do Not Use order.

Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company-affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, 73 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. On January 28, 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed pending the negotiation by the parties and approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. On July 7, 2016, the court in the Federal action scheduled trial to begin on October 25, 2016, but the court delayed the start of the trial pending ongoing settlement negotiations between the parties and has since granted a continuance of the trial until March 21, 2017. The Mass Litigation Panel has also stayed its proceedings until May 1, 2017.

WVAWC Binding Global Agreement in Principle to Settle Claims

On October 31, 2016, the court in the Federal action approved the preliminary binding principles, terms and conditions of the Settlement among the American Water Defendants, and all class members, putative class members, claimants and potential claimants (collectively, the "Plaintiffs"), arising out of the Freedom Industries chemical spill. The terms of the Settlement propose a global federal and state resolution of all litigation and potential claims against the American Water Defendants and their insurers. A claimant may elect to opt out of any final settlement agreement, in which case such claimant will not receive any benefit from or be bound by the terms of the Settlement. Under the terms and conditions of the Settlement and any subsequent final settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved.

The proposed aggregate pre-tax amount of the Settlement is $126 million, of which $65 million would be contributed by WVAWC, and the remainder would be contributed by certain of the Company's general liability insurance carriers. The Company has general liability insurance under a series of policies underwritten by a number of individual carriers. Two of these insurance carriers, which provide an aggregate of $50 million in insurance coverage to the Company under these policies, were requested, but presently have not agreed, to participate in the Settlement. The Company and WVAWC are vigorously pursuing their rights to insurance coverage from these non-participating carriers for any contributions by WVAWC to the Settlement. In this

regard, WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constitutes a breach of contract, and the Company is pursuing mandatory arbitration against the other non-participating carrier. Despite these efforts, the Company may not ultimately be successful in obtaining full or further reimbursement under these insurance policies for amounts that WVAWC may be required to contribute to the Settlement.

The preliminary terms of the Settlement intend to establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76 million, of which $51 million will be contributed by WVAWC, including insurance deductibles, and $25 million would be contributed by one of the Company's general liability insurance carriers, and (ii) an individual review claim fund of up to $50 million, of which up to $14 million would be contributed by WVAWC and $36 million would be contributed by a number of the Company's general liability insurance carriers. Separately, up to $25 million would be contributed to the guaranteed fund by another defendant to the Settlement.

As a result of these events, the Company recorded a charge to earnings, net of insurance receivables, of $65 million ($39 million after-tax) in the third quarter of 2016. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia for approximately $4 million in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The $36 million to be contributed by a number of the Company's general liability insurance carriers to the individual review claim fund, as noted above, is from higher layers of the insurance structure than the two insurance carriers that were requested, but presently have not agreed, to participate in the Settlement. Any recovery by WVAWC or the Company from the non-participating carriers would reimburse WVAWC for its contributions to the guaranteed fund.

Following the court's October 31 approval, the parties have continued to negotiate the details of the Settlement. If preliminary approval of the Settlement is obtained, notice of the terms of the Settlement would then be provided to members of the settlement class. Following the notice period, the court in the Federal action would hold a fairness hearing to consider final approval of the Settlement. There can be no assurance that the court in the Federal action will provide its approval as to any agreement negotiated between the parties reflecting the terms of the Settlement.

The American Water Defendants believe that WVAWC has responded appropriately to, and, other than through the Settlement, has no responsibility for, the Freedom Industries chemical spill, and that the American Water Defendants have valid, meritorious defenses to the lawsuits. Nevertheless, WVAWC and the Company are unable to predict the outcome of any lawsuit against the American Water Defendants brought or maintained by a claimant that elects to opt out of the Settlement, and any such outcome or outcomes could have a material adverse effect on the Company's financial condition, results of operations, cash flows, liquidity and reputation.

Other Related Investigations

Additionally, investigations with respect to the matter have been initiated by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the Public Service Commission of West Virginia (the "PSC"). As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act.

In May 2014, the PSC issued an Order initiating a General Investigation into certain matters relating to WVAWC's response to the Freedom Industries chemical spill. Three parties intervened in the proceeding, including the Consumer Advocate Division of the PSC and two attorney-sponsored groups, including one sponsored by some of the plaintiffs' counsel involved in the civil litigation described above. On January 26, 2017, WVAWC and the other parties agreed to resolve the General Investigation and filed a joint stipulation with the PSC containing the terms of the settlement. The parties to the joint stipulation filed a proposed order with the PSC on February 8, 2017.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. On September 28, 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. The Company provided written comments to the CSB's report suggesting that the recommendation made to the Company would be better directed to the EPA in order to promote industry-wide implementation of the CSB's recommendation. On February 15, 2017, the Company filed its response to the CSB's recommendation. The CSB has indicated that it may consider issuing a supplemental report on the Freedom Industries chemical spill.

WVAWC and the Company are unable to predict the outcome of the ongoing government investigations or any legislative initiatives that might affect WVAWC's water utility operations.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations, and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 23, 2008, our common stock has traded on the NYSE under the symbol "AWK." The following table summarizes the per share range of the high and low intraday sales prices of our common stock as reported on the NYSE and the per share cash dividends paid and declared for the years ended December 31, 2016 and 2015:

2016	Intraday Market Prices		Per Share Dividends Paid	Per Share Dividends Declared
	High	Low		
Fourth Quarter	$ 76.12	$ 69.41	$ 0.375	$ 0.75
Third Quarter	85.24	72.12	0.375	0.375
Second Quarter	84.54	68.09	0.375	0.375
First Quarter	70.10	58.90	0.34	—

2015	Intraday Market Prices		Per Share Dividends Paid	Per Share Dividends Declared
	High	Low		
Fourth Quarter	$ 61.20	$ 54.62	$ 0.34	$ 0.68
Third Quarter	55.63	48.52	0.34	0.34
Second Quarter	55.67	48.36	0.34	0.34
First Quarter	57.48	51.84	0.31	—

As of February 16, 2017, there were 178,214,748 shares of common stock outstanding held by approximately 2,608 record holders. Holders of our common stock are entitled to receive dividends when they are declared by the Board of Directors. When dividends on common stock are declared, they are typically paid in March, June, September and December. Future dividends are not guaranteed by the Company and will be dependent on future earnings, financial requirements, contractual provisions of debt agreements and other relevant factors. For more information regarding restrictions on the payment of dividends on our common stock, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends.

In February 2015, the Board of Directors authorized an anti-dilutive common stock repurchase program to mitigate the dilutive effect of shares issued through our dividend reinvestment, employee stock purchase and executive compensation activities. The program allows us to purchase up to 10 million shares of our outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and to facilitate these repurchases, we enter into Rule 10b5-1 share repurchase plans with a third party broker, which allow us to repurchase shares at times when we may otherwise be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, we may elect to amend or cancel the program or share repurchase parameters at our discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2016, the Company repurchased an aggregate of 3,250,000 shares of common stock under the program, including 1,000,000 shares repurchased during the first half of 2016. There were no repurchases of common stock in the last half of 2016.

On November 17, 2016, 19,629 shares of common stock were issued by the Company in a transaction not involving a public offering of securities, which transaction was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof. The shares were issued to one holder as consideration for assets acquired and liabilities assumed by Cal Am.

ITEM 6. SELECTED FINANCIAL DATA

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
	(In millions, except per share data)				
Statement of Operations Data:					
Operating revenues	$ 3,302	$ 3,159	$ 3,011	$ 2,879	$ 2,854
Income from continuing operations	$ 468	$ 476	$ 430	$ 371	$ 374
Income from continuing operations per basic common share	$ 2.63	$ 2.66	$ 2.40	$ 2.08	$ 2.12
Income from continuing operations per diluted common share	$ 2.62	$ 2.64	$ 2.39	$ 2.07	$ 2.10
Balance Sheet Data:					
Total assets (a) (b)	$18,482	$17,241	$16,038	$15,064	$14,713
Long-term debt and redeemable preferred stock at redemption value (a)	$ 5,759	$ 5,874	$ 5,442	$ 5,225	$ 5,203
Other Data:					
Aggregate dividends declared per common share	$ 1.50	$ 1.36	$ 1.24	$ 1.12	$ 0.98
Cash flows provided by operating activities	$ 1,276	$ 1,179	$ 1,097	$ 896	$ 956
Capital expenditures included in cash flows used in investing activities	$ (1,311)	$ (1,160)	$ (956)	$ (980)	$ (929)

NOTE: In November 2014, we disposed of our Class B Biosolids operating segment by selling our subsidiary, Terratec Environmental Ltd ("Terratec") in Ontario, Canada. The results of Terratec are presented as discontinued operations and, as such, have been excluded from continuing operations for the years ended December 31, 2014, 2013 and 2012. See Note 3—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional details on our discontinued operations.

(a) The information for 2014, 2013 and 2012 has been revised to reflect the retrospective application of Accounting Standard Update 2015-15 Presentation of Debt Issuance Costs, which was adopted by the Company as of December 31, 2015.

(b) The information for 2014, 2013 and 2012 has been revised to reflect the retrospective application of Accounting Standard Update 2015-17 Income Taxes, which was adopted by the Company as of December 31, 2015.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the consolidated financial statements and the notes thereto included elsewhere in this Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those we discuss under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K.

Executive Overview

Through its subsidiaries, American Water is the largest and most geographically diverse investor-owned publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. We employ approximately 6,800 professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in 47 states, the District of Columbia and Ontario, Canada. Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial and other customers, including sale for resale and public authority customers. Our Regulated Businesses that provide these services are generally subject to economic regulation by

certain state utility commissions or other entities engaged in utility regulation. Certain federal and state governments also regulate environmental, health and safety, and water quality matters. Our Regulated Businesses provide services in 16 states and serve approximately 3.3 million customers based on the number of active service connections to our water and wastewater networks. We also operate several businesses that provide a broad range of related and complementary water and wastewater services in four operating segments that individually do not meet the criteria of a reportable segment in accordance with GAAP. These four non-reportable operating segments are collectively presented as our Market-Based Businesses, which is consistent with how management assesses the results of these businesses.

2016 Strategic Focus & Achievements

For 2016, our focus was anchored on five central strategic themes:

- Customer—One of our core values is putting our customers at the center of everything we do.
  - In 2016, we achieved a customer satisfaction rating in the top quartile among our water industry peers and achieved a service quality rating of 85%, which also placed us in the top quartile compared to our water industry peers;
  - We launched a comprehensive customer experience initiative designed to enhance our quality of service and make it easier for customers to do business with us;
  - We continued to make needed infrastructure investment while implementing operational efficiency improvements to keep customer rates affordable; and
  - Our drinking water system quality was 21 times better than the industry average.
- Safety—The health and safety of our employees, customers and the public is both a strategy and a value.
  - In 2016, our focus continued on putting safety first. We finished 2016 with fewer employee injuries than in the prior year, we enhanced accident prevention and risk mitigation through our "near miss" reporting program and we achieved a stronger safety culture as measured by employee responses in the Company's culture survey. Our safety council, consisting of management and labor employees from across the Company, continued their mission of developing and implementing recommendations to reinforce the Company's commitment to safety. In addition, we hold our vendors accountable to the same safety standards as our Company.
- People—Our employees and culture are paramount to our success.
  - In 2016, we continued to demonstrate our commitment to employees by providing safety and technical training throughout the Company and expanding training and development offerings for supervisors and individual employees. We enhanced and developed robust succession plans for key leadership roles across the company and we continued to provide competitive compensation and benefits to retain and attract a highly skilled and diverse workforce.
- Growth—We invested $1.5 billion in 2016; a record level of annual investment since the Company went public in 2008 including:
  - $1.3 billion of which the majority was in our Regulated Businesses primarily to improve infrastructure; and
  - $199 million for completed regulated acquisitions, adding approximately 42,000 water and wastewater customers. Included was the purchase of substantially all of the wastewater collection and treatment assets of the Sewer Authority of the City of Scranton by Pennsylvania-American Water Company ("PAWC") on December 29, 2016. This acquisition alone added approximately 31,000 wastewater customers in the City of Scranton and Dunmore Borough, Pennsylvania.
  - In addition to the acquisitions that closed in 2016 adding approximately 42,000 water and wastewater customers discussed above, we also entered into a number of agreements for which the

closing of the transactions remain pending. These pending transactions represent the potential addition of approximately 40,000 new water and wastewater customers. The largest of the pending acquisitions include:

- Shorelands Water Company, New Jersey: Shorelands currently provides water service to approximately 11,000 customers in Monmouth County, New Jersey. On August 2, 2016, we agreed to acquire all of the capital stock of Shorelands Water Company ("Shorelands") in exchange for an equivalent value of our common stock. The maximum number of shares of our common stock to be exchanged upon closing of this acquisition will be less than 500,000 and will be based upon the average price of our common stock. The closing of this acquisition is subject to the satisfaction of various conditions and compliance by the parties with certain covenants, including obtaining the approval of the New Jersey Board of Public Utilities. The Company is seeking to close the acquisition in the first half of 2017.
- Municipal Authority of the City of McKeesport, Pennsylvania: The system currently represents approximately 22,000 wastewater customers. On September 9, 2016, PAWC signed an asset purchase agreement to acquire substantially all of the wastewater collection and treatment system assets of the Municipal Authority of the City of McKeesport, Pennsylvania for approximately $156 million, subject to certain adjustments provided in the agreement. In connection with the execution of this agreement, a $5 million non-escrowed deposit was also paid. The closing of this acquisition is subject to the satisfaction of various conditions and covenants, including obtaining the approval of the Pennsylvania Public Utility Commission. We are seeking to close this acquisition in the second half of 2017.

- Technology and Operational Efficiency—We drove continued cost savings into our businesses.
  - Our Regulated Businesses achieved an adjusted O&M efficiency ratio (a non-GAAP measure) of 34.9% in 2016;

Our adjusted O&M efficiency ratio for the year ended December 31, 2016 was 34.9%, compared to 35.9% and 36.7% for the years ended December 31, 2015 and 2014, respectively. The improvement in the 2016 adjusted O&M efficiency ratio over the 2015 ratio was primarily attributable to an increase in revenue. The improvement in the 2015 adjusted O&M efficiency ratio over the 2014 ratio was attributable to both an increase in revenue and decreases in O&M expenses.

Our adjusted O&M efficiency ratio is defined as our regulated O&M expenses divided by regulated operating revenues, where both O&M expenses and operating revenues were adjusted to eliminate purchased water expense. Additionally, from the O&M expenses, we excluded the allocable portion of non-O&M support services cost, mainly depreciation and general taxes that are reflected in the Regulated Businesses segment as O&M expenses but for consolidated financial reporting purposes are categorized within other line items in the accompanying Consolidated Statements of Operations. In addition to the standard adjustments to the O&M efficiency ratio for the year ended December 31, 2016, we have also excluded from operating revenues and O&M expenses the impact from the binding global agreement in principle related to the Freedom Industries chemical spill in West Virginia. Also, for the year ended December 31, 2014, we have also excluded from operating revenues and O&M expenses the estimated impact to revenue and O&M attributable to changes in consumption as a result of abnormal weather and the costs associated with the Freedom Industries chemical spill, as applicable. We excluded all the above items from the calculation as we believe such items are not reflective of management's ability to increase efficiency of the Company's regulated operations.

We evaluate our operating performance using this measure because management believes it is a direct measure of the improvement to the efficiency of our Regulated Businesses' operations. This information is intended to enhance an investor's overall understanding of our operating performance. The O&M efficiency ratio is not a GAAP financial measure and may not be comparable to other companies' operating measures and should not be used in place of the GAAP information provided elsewhere in this report.

The following table provides the calculation and reconciliation that compares O&M expenses and operating revenues, as determined in accordance with GAAP, to those amounts utilized in the calculation of our adjusted O&M efficiency ratio for the years ended December 31:

	2016	2015	2014
		(in millions)	
Total operation and maintenance expenses	$ 1,504	$ 1,404	$ 1,350
Less:			
Operation and maintenance expenses—Market-Based Businesses	372	358	289
Operation and maintenance expenses—Other	(44)	(49)	(51)
Total regulated operation and maintenance expenses	1,176	1,095	1,112
Less:			
Regulated purchased water expenses	122	117	122
Allocation of non-operation and maintenance expenses	30	35	39
Impact of Freedom Industries chemical spill in West Virginia	—	—	10
Impact of binding global agreement in principle	65	—	—
Estimated impact of weather	—	—	(2)
Adjusted regulated operation and maintenance expenses (a)	$ 959	$ 943	$ 943
Total operating revenues	$ 3,302	$ 3,159	$ 3,011
Less:			
Operating revenues—Market-Based Businesses	451	434	355
Operating revenues—Other	(20)	(18)	(18)
Total regulated operating revenues	2,871	2,743	2,674
Less:			
Regulated purchased water revenues*	122	117	122
Add:			
Impact of Freedom Industries chemical spill in West Virginia	—	—	1
Estimated impact of weather	—	—	17
Adjusted regulated operating revenues (b)	$ 2,749	$ 2,626	$ 2,570
Adjusted O&M efficiency ratio (a)/(b)	34.9%	35.9%	36.7%

*Note calculation assumes purchased water revenues approximate purchased water expenses.

- We implemented an enterprise resource planning system in our Market-Based Businesses to integrate and enhance operations, customer service and support services; and
- We initiated a strategic technology program designed to leverage technological advancements to enhance customer experience, drive operational efficiency, provide data integration and analytics, and enhance security. In addition, we implemented improved technology tools to enhance communication, collaboration and mobility, including a new comprehensive technology roadmap that will help our operations and support employees in providing even better customer experiences in the future.

2016 Financial Results

Highlights of our diluted earnings per share and adjusted diluted earnings per share for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Income from continuing operations	$ 2.62	$ 2.64	$ 2.39
Loss from discontinued operations, net of tax (a)	—	—	(0.04)
Diluted earnings per share	$ 2.62	$ 2.64	$ 2.35
Add back: Non-GAAP adjustment:			
Impact of the binding global agreement in principle (b)	0.36	—	—
Tax impact	(0.14)	—	—
Non-GAAP adjustment impact on diluted earnings per share	0.22	—	—
Adjusted diluted earnings per share	$ 2.84	$ 2.64	$ 2.35

(a) Discontinued operations represents the 2014 sale of our Terratec line of business, which was part of our Market-Based Businesses. The loss from discontinued operations, net of tax, reflected in the 2014 financial results includes the loss on the sale, an income tax valuation allowance and the 2014 operating results of the entity prior to the sale. See Note 3—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for further details on our discontinued operations.

(b) See Item 3—Legal Proceedings and Note 15—Commitments and Contingencies in the Notes to Consolidated Financial Statements included in Item 8—Consolidated Financial Statements in this Form 10-K.

Income from continuing operations decreased 2 cents per diluted share, or 0.8%, for the year ended December 31, 2016 compared to the prior year. Included in the 2016 amount was the after-tax charge of $39 million, or $0.22 per diluted share, resulting from the binding global agreement in principle related to the Freedom Industries chemical spill. Excluding this charge, income from continuing operations increased $0.20 per diluted share, or approximately 7.6%. This increase was mainly due to continued strong growth in our Regulated Businesses. For further detailed discussion of the consolidated results of operations, as well as the financial results of our business segments, see “Comparison of Consolidated Results of Operations” and “Segment Results of Operations”.

Adjusted diluted earnings per share represents a non-GAAP financial measure and excludes the impact of the Settlement. We believe that this non-GAAP measure provides useful information by excluding such matters that may not be indicative of our on-going operating results. We believe this non-GAAP measure will allow for better evaluation of the operating performance of the business and facilitate a meaningful comparison of our results in the current year to those in prior years. The non-GAAP financial information should be considered in addition to, not as a substitute for, measures of financial performance prepared in accordance with U.S. GAAP. In addition, our non-GAAP measure may not be comparable to similarly titled non-GAAP measures of other companies.

Regulatory Matters

The table below provides rate authorizations effective from 2014 through 2016. The table depicts annualized incremental revenues assuming a constant water sales volume:

	For the Years Ended December 31,		
	2016	2015	2014
		(In millions)	
General rate cases by state			
Indiana (a)	$ 2	$ 5	$ —
West Virginia (b)	18	—	—
Missouri (c)	5	—	—
Kentucky (d)	7	—	—
New Jersey (e)	—	22	—
California (f)	2	5	2
Iowa (g)	—	—	4
Other	—	1	—
Total General rate cases	$ 34	$ 33	$ 6

(a) New rates effective January 29 of each year.
(b) New rates effective February 25, 2016.
(c) New rates effective July 20 and 22, 2016.
(d) New rates effective August 28, 2016.
(e) New rates effective September 21, 2015.
(f) Step rates for 2016 and 2015 effective January 1. The 2014 increase is from step rate and attrition year filing with rates effective on April 1, 2014.
(g) New rates effective April 18, 2014, including $3 million of interim rates effective May 10, 2013.

On December 13, 2016 we received a decision on our general rate case in Illinois authorizing additional annualized revenues of $26 million effective on January 1, 2017.

On February 1, 2016, Cal Am received approval from the CPUC to extend its cost of capital proceeding for an additional year. Subsequently, Cal Am has requested to extend its current authorized cost of capital which is scheduled to expire on December 31, 2017 for an additional year. If no extension is received by March 31, 2017, Cal Am will file its cost of capital application as scheduled.

During the first quarter of 2017, Cal Am received approval from the CPUC for step rates authorizing additional annualized revenues of $5 million effective on various dates between January 13, 2017 and February 2, 2017.

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. The following table details additional annualized revenues authorized through infrastructure surcharge mechanisms that were effective from 2014 through 2016:

	For the Years Ended December 31,		
	2016	2015	2014
	(In millions)		
Infrastructure charges by state			
Pennsylvania (a)	$ 28	$ 14	$ —
New Jersey (b)	19	9	17
Missouri (c)	—	2	13
Indiana (d)	3	—	—
Illinois (e)	7	6	2
New York (f)	—	1	2
Tennessee (g)	2	2	1
Total Infrastructure charges	$ 59	$ 34	$ 35

(a) Quarterly filings in 2016 for $11 million, $2 million, $6 million and $9 million effective the first day of the calendar quarter for January, April, July and October, respectively. For 2015, $2 million, $4 million and $8 million effective April 1, July 1 and October 1, 2015, respectively. No infrastructure charges in 2014 as the general rate case effective January 1, 2014, included a forecasted test year.

(b) Semi-annual filings in 2016, $9 million effective June 1, 2016 and $10 million effective December 1, 2016. For 2015, $9 million effective January 1, 2015. For 2014, $7 million and $10 million effective July 1, 2014 and January 1, 2014.

(c) 2015 effective date was June 27, 2015. For 2014, $9 million and $4 million effective December 31, 2014 and May 30, 2014.

(d) Effective May 4, 2016.

(e) For 2016, $1 million effective January 1 and $6 million effective August 1. For 2015, $1 million and $5 million effective February 1 and January 1. For 2014, $2 million effective January 1.

(f) For 2015, effective date is December 1. For 2014, $1 million effective January 1 and March 3.

(g) Effective dates of March 15, 2016, June 29, 2015 and April 15, 2014.

On December 2, 2016, infrastructure charges amounting to additional annualized revenues of $2 million was approved for our West Virginia subsidiary and became effective on January 1, 2017. Also, on January 1, 2017, $1 million of additional annualized revenues from infrastructure charges for our Pennsylvania subsidiary were authorized and became effective.

2016 Pending Rate Cases and Infrastructure Charges

On April 1, 2016, $9 million in annualized revenues, which was requested in our Virginia general rate case that was filed on October 30, 2015, was put into effect as interim rates under bond and subject to refund.

On April 29, 2016, our New York subsidiary filed a general rate case requesting $9 million in additional annualized water revenues. Also on April 29, 2016, our Iowa subsidiary filed a general rate case requesting $5 million in additional annualized revenue. On May 9, 2016, $2 million in additional annualized revenues of the $5 million requested in our Iowa rate case were put into effect as interim rates under bond and subject to refund.

On July 1, 2016, our California subsidiary filed a general rate case requesting to increase revenues over three years. This increase includes a request of $35 million of additional annualized revenue, which is expected to become effective on January 1, 2018 as well as a step rate and attrition rate increase of $8 million in both 2019 and 2020.

On November 4, 2016, our Tennessee subsidiary filed for an infrastructure surcharge requesting additional revenues of $2 million. On January 16, 2017, our Indiana subsidiary filed for an infrastructure surcharge requesting additional revenues of $8 million.

There is no assurance that all or any portion of these requests will be granted.

Other Regulatory Matters

On December 8, 2016, the CPUC issued a final decision in regard to the application filed by Cal Am in July 2015 which requested changes to the then present rate design and the emergency conservation and rationing plan for water customers in certain areas within its Monterey County service district. The final decision allowed for: (i) recovery of existing undercollections of the net water revenue adjustment mechanism/modified cost balancing account ("WRAM/MCBA") balance amounting to approximately $32 million at December 31, 2016, over 5 years earning interest at the 90-day commercial paper rate; and (ii) modification of existing conservation and rationing plans.

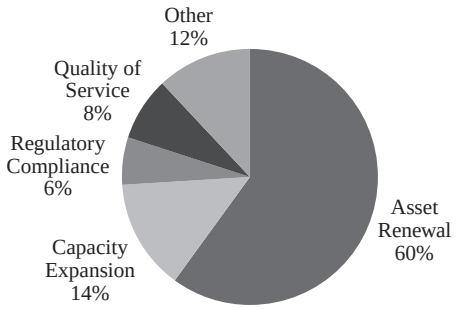
2017 and Beyond

We believe our success in the future will be driven by engaged employees, smart investments and safe, efficient operations leading to highly satisfied customers, which in turn will lead to constructive regulatory outcomes and sustainable financial performance. Our future results will continue to be anchored on our five central themes with customers at the center of all we do. These five central themes are our focus over the next five years:

- **Customers.** Our focus continues on our customers by achieving customer satisfaction and service quality targets in the top quartile of our industry. Our comprehensive customer experience initiative is designed to make it easier for customers to do business with us. Our focus on water quality continues to converge people, technology and innovation to deliver industry leading water quality. We intend to continue to make needed infrastructure investments while implementing operational efficiency improvements to help keep customer rates affordable.
- **Safety.** Our focus continues to put safety first in everything that we do. Our safety focus includes the safety and health of our employees, our customers and the public. We measure our success through water quality, OSHA recordable incident and DART rates ("days away, restricted or transferred"), where we strive to achieve industry leading performance.
- **People.** Our focus on our employees and culture is paramount to our success going forward. We intend to continue our focus on ensuring we have strong relationships with our union employees, effective training and development plans for all employees and a diverse workforce.
- **Growth.** We expect to invest $6.7 to $7.3 billion over the next five years, with $1.5 billion in 2017, as follows:
    - Capital investment to improve infrastructure in our Regulated Businesses segment of $5.9 billion, with $1.25 billion expected in 2017;
    - Growth from acquisitions in our Regulated Businesses segment of $600 million to $1.2 billion to expand our water and wastewater customer base with $120 million to 240 million expected in 2017; and
    - Strategic capital investments of about $200 million for the next five years with approximately $100 million expected in 2017, which includes investments related growth in our Market-Based Businesses as we expand markets and new offerings, and evaluate potential opportunities to assist the natural gas exploration and production industry in the delivery of water to support their processes. Also, we are building a new corporate headquarters in Camden, New Jersey, which is expected to be complete in 2018. This project is eligible for up to $164 million in tax credits from New Jersey's Economic Development Authority.

The chart below presents our estimated percentage of projected capital expenditures over the period of 2017 to 2021 for improving infrastructure in our Regulated Businesses segment by purpose:

2017 – 2021 Average Regulated Capital Expenditures by Purpose



- **Technology and Operational Efficiency.** We intend to continue our commitment to operational efficiency, technology, innovation and environmental leadership. We plan to continue to modernize our infrastructure and leverage technological advancements to enhance customer experience, drive operation efficiency, provide data integration and analytics and enhance security. We have set a goal to achieve an adjusted O&M efficiency ratio (a non-GAAP measure, see below for additional information) equal to or below 32.5% by 2021. We are committed to environmental leadership while providing safe, reliable and cost effective water and water-related services to our customers.

  With respect to our adjusted O&M efficiency ratio goal for 2021, we are unable to provide without unreasonable efforts a quantitative reconciliation of each component of this ratio to the most comparable financial measure calculated in accordance with GAAP. In calculating the components of the ratio, certain items that may ultimately be excluded would be reflective of events that cannot be reasonably predicted at this time. The unavailable information would include, among other things, the impact of items currently excluded from the calculation of the components, adjustments for weather conditions that exceed a certain threshold of variability and adjustments for events or circumstances that may not be reflective of ongoing operating results. The probable significance of these items is also presently unknown and cannot be reasonably estimated.

Consolidated Results of Operations

The following table presents our consolidated results of operations for the years ended December 31:

(In millions)	2016	2015	2014	Increase (Decrease) 2016 vs. 2015	%	Increase (Decrease) 2015 vs. 2014	%
Operating revenues	$ 3,302	$ 3,159	$ 3,011	$ 143	4.5	$ 148	4.9
Operating expenses:							
Operation and maintenance	1,504	1,404	1,350	100	7.1	54	4.0
Depreciation and amortization	470	440	424	30	6.8	16	3.8
General taxes	258	243	236	15	6.2	7	3.0
(Gain) loss on asset dispositions and purchases	(10)	(3)	(2)	(7)	233.3	(1)	50.0
Total operating expenses, net	2,222	2,084	2,008	138	6.6	76	3.8
Operating income	1,080	1,075	1,003	5	0.5	72	7.2
Other income (expenses):							
Interest, net	(325)	(308)	(299)	(17)	5.5	(9)	3.0
Other, net	15	15	6	—	—	9	150.0
Total other income (expenses)	(310)	(293)	(293)	(17)	5.8	—	—
Income from continuing operations before income taxes	770	782	710	(12)	(1.5)	72	10.1
Provision for income taxes	302	306	280	(4)	(1.3)	26	9.3
Income from continuing operations	468	476	430	(8)	(1.7)	46	10.7
Loss from discontinued operations, net of tax	—	—	(7)	—	—	7	(100.0)
Net income attributable to common stockholders	$ 468	$ 476	$ 423	$ (8)	(1.7)	$ 53	12.5

Comparison of Consolidated Results of Operations

Operating revenues. In 2016, operating revenues increased $143 million, or 4.5%, primarily due to a:

- $128 million increase in our Regulated Businesses segment primarily due to authorized rate increases to fund infrastructure investment growth, acquisitions, organic growth and incremental revenues from surcharges and balancing accounts; and
- $17 million increase in our Market-Based Businesses primarily attributable to our acquisition of Keystone in the third quarter of 2015, and incremental revenues from our Homeowner Services and Contract Operations Groups; partially offset by a decrease in our Military Services Group revenues.

In 2015, operating revenues increased $148 million, or 4.9%, primarily due to an:

- $69 million increase in our Regulated Businesses segment primarily due to rate increases, infrastructure charges and increased demand, partially offset by decreased surcharges and balancing accounts in 2015;
- $53 million increase in our Market-Based Businesses primarily due to incremental revenue from increased construction project activity in our Military Services Group and contract growth in our Homeowners Services Group; and
- $26 million increase attributable to our Keystone acquisition, which is included in our Market-Based Businesses.

Operation and maintenance. In 2016, operation and maintenance expense increased $100 million, or 7.1%, primarily due to a:

- $65 million charge in our Regulated Businesses attributable to the binding global agreement in principle to settle claims arising out of the Freedom Industries chemical spill in West Virginia;
- $16 million increase in our Regulated Businesses operations and maintenance expenses principally due to higher employee-related costs and litigation expenses, partially offset by lower insurance claims and uncollectible accounts expense; and
- $14 million increase in our Market-Based Businesses with $11 million attributable to Keystone and the remaining $3 million primarily due to incremental costs associated with growth in our Homeowner Services Group and Contract Operations Group.

In 2015, operation and maintenance expense increased $54 million, or 4.0%, primarily due to a:

- $45 million increase in our Market-Based Businesses primarily due to incremental costs in our Military Services Group and Homeowner Services Group corresponding with the increases in operating revenues discussed above;
- $24 million increase attributable to our Keystone acquisition; partially offset by a
- $17 million decrease in our Regulated Businesses segment primarily due to lower production costs, contract services and transportation costs, partially offset by higher casualty insurance costs.

Depreciation and amortization. In 2016 and 2015, depreciation and amortization expense increased $30 million and $16 million, or 6.8% and 3.8%, respectively. The increase for both periods was primarily due to additional utility plant placed in service. Also included in 2016 is incremental depreciation and amortization expense resulting from the acquisition of Keystone in the third quarter of 2015.

General Taxes. In 2016, general taxes increased $15 million, or 6.2%, due to higher gross receipt taxes and higher property taxes in our Regulated Businesses segment.

Other income (expenses). In 2016, other expenses increased by $17 million, or 5.8%, principally due to an increase in interest expense from the issuance of incremental long-term debt, as well as, an increase in short-term interest expense mainly due to higher levels of short-term borrowings during 2016 coupled with an increase in the average short-term borrowing rates in 2016 compared to 2015.

Provision for income taxes. In 2016, our provision for income taxes decreased by $4 million, or 1.3%, due primarily to the decrease in pre-tax income. In 2015, our provision for income taxes increased $26 million, or 9.3%, due primarily to the increase in pre-tax income. The effective tax rates were 39.2%, 39.1% and 39.4% for the years ended December 31, 2016, 2015 and 2014, respectively.

In December 2015, the accelerated tax benefit for bonus depreciation was legislatively extended through 2019. Bonus depreciation applies to certain qualified capital investments placed into service and allows for a bonus depreciation provision of 50% for both 2016 and 2017, 40% in 2018 and 30% in 2019. We have federal NOL carryforwards of $1.2 billion as of December 31, 2016. As such, the election of bonus depreciation will be annually determined on a state-by-state basis and will include, among other items, an evaluation of our ability to utilize our federal NOL carryforwards, charitable contribution carryforwards, and state regulatory practices. If we elect bonus depreciation for all years, we would not expect to pay federal income taxes until 2021 under current Internal Revenue Service regulations.

Loss from discontinued operations, net of tax. As previously noted, the financial results of our Terratec line of business within our Market-Based Businesses was classified as discontinued operations for all periods presented. The sale of Terratec was completed in 2014. The 2014 loss from discontinued operations, net of tax includes the loss on sale, a tax valuation allowance and operating results.

Segment Results of Operations

Our segments are determined based on how we assess performance and allocate resources. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being income from continuing operations.

We conduct our business primarily through one reportable segment, our Regulated Businesses segment. We also operate businesses that provide a broad range of related and complementary water and wastewater services, which includes four operating segments that individually do not meet the criteria of a reportable segment. These four non-reportable segments have been combined and are presented as Market-Based Businesses, which is consistent with how management assesses the results of our businesses.

Regulated Businesses Segment

The following table summarizes certain financial information for our Regulated Businesses segment:

	For the Years Ended December 31,		
(Dollars in millions)	**2016**	**2015**	**2014**
Operating revenues	$ 2,871	$ 2,743	$ 2,674
Operation and maintenance	1,176	1,095	1,112
Operating expenses, net	1,852	1,732	1,726
Net income attributable to common stockholders	472	473	434

Operating revenues. The following tables and discussions provide explanation of the variances related to the three components of operating revenues—water revenues, wastewater revenues and other revenues:

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2016	**2015**	**2014**	**2016 vs. 2015**		**2015 vs. 2014**	
(Dollars in millions)	**Operating Revenues**				**%**		**%**
Water service:							
Residential	$ 1,592	$ 1,536	$ 1,515	$ 56	3.6	$ 21	1.4
Commercial	580	559	550	21	3.8	9	1.6
Industrial	134	130	132	4	3.1	(2)	(1.5)
Public and other	338	331	333	7	2.1	(2)	(0.6)
Other water revenues	53	39	26	14	35.9	13	50.0
Billed water services	2,697	2,595	2,556	102	3.9	39	1.5
Unbilled water services	13	(3)	(25)	16	(533.3)	22	(88.0)
Total water revenues	2,710	2,592	2,531	118	4.6	61	2.4
Wastewater revenues	112	97	93	15	15.5	4	4.3
Other revenues	49	54	50	(5)	(9.3)	4	8.0
Total operating revenues	$ 2,871	$ 2,743	$ 2,674	$ 128	4.7	$ 69	2.6

(Gallons in millions)	For the Years Ended December 31, 2016	2015	2014	Increase (Decrease) 2016 vs. 2015	%	Increase (Decrease) 2015 vs. 2014	%
	Billed Water Sales Volume						
Water service							
Residential	174,599	175,653	176,975	(1,054)	(0.6)	(1,322)	(0.7)
Commercial	82,489	81,772	81,564	717	0.9	208	0.3
Industrial	38,465	38,991	39,833	(526)	(1.3)	(842)	(2.1)
Public and other	50,678	51,324	52,710	(646)	(1.3)	(1,386)	(2.6)
Billed water services	346,231	347,740	351,082	(1,509)	(0.4)	(3,342)	(1.0)

Note: The correlation between water service revenues and billed water sales volumes shown above is impacted by the California drought. In 2015 and to a lesser extent in 2016 California experienced a severe drought. In April 2015, the Governor mandated water usage restrictions to reduce overall water usage by 25% in the state compared to 2013 levels. Revenue in California is decoupled from sales volume through the Water Revenue Adjustment Mechanism and the Modified Cost Balancing Account, aligning our water conservation goals with those of the state and our customers and therefore usage reductions do not impact earnings.

In 2016, operating revenues increased $128 million, or 4.7%, primarily due to a:

- $92 million increase from authorized rate increases, including infrastructure surcharges, primarily to fund investment growth in various states;
- $23 million increase resulting from water and wastewater acquisitions as well as organic growth in existing systems;
- $13 million net increase principally due to revenues from balancing accounts, with the majority associated with our California subsidiary, surcharges and other adjustments.

In 2015, operating revenues increased $69 million, or 2.6%, primarily due to a:

- $45 million increase from rate increases and infrastructure charges;
- $24 million increase from higher demand, mainly due to milder weather in 2014;
- $6 million increase attributable to recent water and wastewater acquisitions coupled with organic growth in existing systems;
- $5 million incremental revenues for late payments and reconnection fees; partially offset by a
- $21 million decrease in surcharges and balancing accounts in our California subsidiary primarily related to the drought and the $5 million charge associated with the July 2015 application filed with CPUC.

Operation and maintenance. The following table and discussions provide a detailed explanation of the variances related to the major components of operation and maintenance.

(Dollars in millions)	For the Years Ended December 31, 2016	2015	2014	Increase (Decrease) 2016 vs. 2015	%	Increase (Decrease) 2015 vs. 2014	%
Production costs	$ 288	$ 282	$ 289	$ 6	2.1	$ (7)	(2.4)
Employee-related costs	443	430	430	13	3.0	—	—
Operating supplies and services	212	194	217	18	9.3	(23)	(10.6)
Maintenance materials and supplies	73	70	68	3	4.3	2	2.9
Customer billing and accounting	54	63	61	(9)	(14.3)	2	3.3
Other	106	56	47	50	89.3	9	19.1
Total	$ 1,176	$ 1,095	$ 1,112	$ 81	7.4	$ (17)	(1.5)

Production costs

(Dollars in millions)	For the Years Ended December 31, 2016	2015	2014	Increase (Decrease) 2016 vs. 2015	%	Increase (Decrease) 2015 vs. 2014	%
Purchased water	$ 122	$ 117	$ 121	$ 5	4.3	$ (4)	(3.3)
Fuel and power	87	89	92	(2)	(2.2)	(3)	(3.3)
Chemicals	47	48	46	(1)	(2.1)	2	4.3
Waste disposal	32	28	30	4	14.3	(2)	(6.7)
Total	$ 288	$ 282	$ 289	$ 6	2.1	$ (7)	(2.4)

In 2016, production costs increased $6 million, or 2.1%, primarily due to a:

- $3 million increase in purchased water attributable to price increases in our California subsidiary;
- $4 million increase in waste disposal cost mainly attributable to higher sludge removal costs; partially offset by a
- $2 million decrease in fuel and power primarily due to a price decrease in our New Jersey subsidiary.

In 2015, production costs decreased $7 million, or 2.4%, primarily due to a:

- $9 million decrease primarily due to lower usage in our California subsidiary as a result of statewide conservation initiatives, including decreases of $8 million in purchased water and $1 million in fuel and power; partially offset by a
- $4 million increase in purchased water primarily due to price increases in our Illinois and New Jersey subsidiaries.

Employee-related costs

(Dollars in millions)	For the Years Ended December 31, 2016	2015	2014	Increase (Decrease) 2016 vs. 2015	%	Increase (Decrease) 2015 vs. 2014	%
Salaries and wages	$ 336	$ 321	$ 328	$ 15	4.7	$ (7)	(2.1)
Pensions	28	30	27	(2)	(6.7)	3	11.1
Group insurance	58	60	55	(2)	(3.3)	5	9.1
Other benefits	21	19	20	2	10.5	(1)	(5.0)
Total	$ 443	$ 430	$ 430	$ 13	3.0	$ —	—

In 2016, employee-related costs increased $13 million, or 3.0%, primarily due to a:

- $19 million increase in compensation in support of the growth of the business;
- $9 million increase in medical and prescription drug group insurance costs, offset by a
- $10 million decrease in other postretirement benefit plan expenses as a result of plan amendments in the third quarter of 2016; and
- $6 million decrease in costs due to an increase in capitalized labor attributable to an increase in capital investments.

In 2015, employee-related costs remained consistent primarily due to a:

- $14 million reduction largely attributable to fewer employees and an increase in capital projects, which in turn resulted in higher capitalization rates; partially offset by a

- $14 million increase in pension costs and postretirement benefits costs, which is included in the group insurance line above, primarily due to the adoption of new mortality assumptions and a decrease in the discount rate resulting in increased plan obligations.

Operating supplies and services

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2016	2015	2014	2016 vs. 2015		2015 vs. 2014	
(Dollars in millions)					%		%
Contracted services	$ 84	$ 81	$ 88	$ 3	3.7	$ (7)	(8.0)
Office supplies and services	45	44	45	1	2.3	(1)	(2.2)
Transportation	13	16	20	(3)	(18.8)	(4)	(20.0)
Rents	14	14	15	—	—	(1)	(6.7)
Other	56	39	49	17	43.6	(10)	(20.3)
Total	$ 212	$ 194	$ 217	$ 18	9.3	$ (23)	(10.6)

In 2016, operating supplies and services increased $18 million, or 9.3%, primarily due to:

- $8 million attributable to a judgment in litigation and related legal costs associated with a contract dispute;
- $5 million write-off related to timekeeping system costs that were capitalized under construction work in process; and
- $3 million adjustment in 2015 attributable to the recognition of a regulatory asset for previously expensed business transformation costs as a result of the finalization of our California rate case.

In 2015, operating supplies and services decreased $23 million, or 10.6%, primarily due to a:

- $5 million decrease in condemnation and conservation costs primarily due to initiatives in 2014 incurred by our California subsidiary;
- $3 million decrease in legal services;
- $3 million incremental costs in 2014 associated with the Freedom Industries chemical spill in West Virginia;
- $3 million adjustment attributable to the recognition of a regulatory asset for previously expensed business transformation costs as a result of the finalization of our California rate case; and
- $3 million decrease in transportation costs primarily due to lower fuel prices.

Maintenance materials and supplies

In 2016, maintenance materials and supplies increased $3 million, or 4.3%, primarily due to a:

- $10 million increase in tank painting; partially offset by a
- $ 5 million decrease in main breaks maintenance cost as a result of milder winter weather in 2016.

In 2015, maintenance materials and supplies increased $2 million, or 2.9%, primarily due to an increase in tank painting costs.

Customer billing and accounting

Customer billing and accounting expenses decreased $9 million, or 14.3%, in 2016 compared to 2015 primarily due to a decrease in uncollectible accounts expense primarily attributable to focused collection efforts.

Other

In 2016, other operation and maintenance expenses increased $50 million, or 89.3%, primarily due to a:

- $65 million charge resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia; partially offset by a
- $15 million decrease in casualty insurance costs attributable to a decrease in historical claims experience.

In 2015, other operation and maintenance expenses increased $9 million, or 19.1%, primarily due to an increase in casualty insurance costs as a result of an increase in historical claims experience resulting in premium adjustments.

Operating expenses, net. For the year ended December 31, 2016, operating expenses, net increased $120 million, or 6.9% compared to same period in prior year, primarily due to:

- $81 million increase in operation and maintenance expense as explained above;
- $30 million increase in depreciation and amortization expense attributable to additional utility plant placed in service; and
- $14 million increase in general tax expense most of which is associated with incremental property and gross receipt taxes.

Market-Based Businesses

The following table summarizes certain financial information for our Market-Based Businesses:

(Dollars in millions)	For the Years Ended December 31, 2016	2015	2014
Operating revenues	$ 451	$ 434	$ 355
Operation and maintenance	372	358	289
Operating expenses, net	391	370	300
Net income attributable to common stockholders	39	42	33

Operating revenues. In 2016, operating revenues increased $17 million, or 3.9%, primarily due to a:

- $15 million increase resulting from Keystone, which was acquired in the third quarter of 2015;
- $11 million increase in our Homeowner Services Group revenues primarily due to contract growth, as well as expansion into new geographic areas and price increases for certain existing customers; and
- $11 million increase in our Contract Operations Group revenues primarily due to contract growth, mostly associated with our contract in Camden, New Jersey; partially offset by a
- $21 million decrease in our Military Services Group revenues primarily due to lower capital upgrades in 2016 attributable to higher project activity in 2015 partially offset by incremental revenues due to the addition of Vandenberg Air Force Base in 2016.

In 2015, operating revenues increased $79 million, or 22.3%, primarily due to a:

- $41 million increase in our Military Services Group revenues primarily due to additional construction project activities and the addition of two military contracts, Hill Air Force Base and Picatinny Arsenal, in the second half of 2015;
- $15 million increase in our Homeowner Services Group revenues primarily due to contract growth, mainly in New York City, and the expansion into other geographic areas; and

- $26 million increase resulting from Keystone; partially offset by a
- $3 million decrease in our Contract Operations Group revenues primarily attributable to the termination of certain municipal and industrial operations and maintenance contracts.

Operation and maintenance. The following table provides information regarding components of operation and maintenance:

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2016	2015	2014	2016 vs. 2015		2015 vs. 2014	
(Dollars in millions)					%		%
Production costs	$ 35	$ 36	$ 35	$ (1)	(2.8%)	$ 1	2.9%
Employee-related costs	94	76	62	18	23.7%	14	22.6%
Operating supplies and services	165	182	138	(17)	(9.3%)	44	31.9%
Maintenance materials and supplies	68	57	47	11	19.3%	10	21.3%
Other	10	7	7	3	42.9%	—	—
Total	$ 372	$ 358	$ 289	$ 14	3.9%	$ 69	23.9%

In 2016, operation and maintenance expense increased $14 million, or 3.9%, primarily due to a:

- $11 million increase resulting from Keystone, including $8 million in employee-related costs, $1 million in operating supplies and services and $1 million in other;
- $11 million increase in maintenance materials and supplies primarily due to contract growth in our Homeowner Services and Contract Operations Groups, as well as higher claims, marketing expenses, and costs associated with our investment in a new customer information system in our Homeowner Services Group; and
- $10 million increase in employee-related costs primarily due to the addition of the Vandenberg Air Force Base contract, as well as increased headcount resulting from contract growth in our Homeowner Services and Contract Operations Groups; partially offset by a
- $18 million decrease in operating supplies and services primarily due to lower capital upgrades in our Military Services Group, as discussed above.

In 2015, operation and maintenance expense increased $69 million, or 23.9%, primarily due to a:

- $30 million increase in our Military Services Group operating supplies and services primarily due to increased construction project activities and the addition of two military contracts;
- $24 million increase resulting from Keystone, including $9 million in employee-related costs, $14 million in operating supplies and services and $1 million in maintenance, materials and supplies;
- $7 million increase in our Homeowner Services Group maintenance and supplies primarily due to higher repair costs incurred, which was attributable to the increase in the number of contracts; and
- $5 million increase in our Military Services Group and Homeowners Services Group employee-related costs, which was attributable to the addition of two military contracts and increase in headcount.

Liquidity and Capital Resources

We regularly evaluate and monitor our cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. Our business is capital intensive, with a majority of this capital funded by cash flows from operations. When necessary, we also obtain funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings. We also have access to

equity capital markets, if needed. Our access to external financing on reasonable terms depends on our credit ratings and current business conditions, including that of the utility and water utility industries in general, as well as conditions in the debt or equity capital markets and the national and international economic and geopolitical arenas. If these business, market, financial and other conditions deteriorate to the extent that we no longer are able to access the capital markets on reasonable terms, we have access to an unsecured revolving credit facility with aggregate bank commitments of $1.75 billion, with an expiration date of June 2020 (subject to extension by us for up to two one-year periods). We rely on this revolving credit facility and the capital markets to fulfill our short-term liquidity needs, to issue letters of credit and to support our commercial paper program. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit our ability to issue debt and equity securities in the capital markets. See “Credit Facility and Short-Term Debt” below for further discussion. In order to meet our short-term liquidity needs, we, through AWCC, our wholly owned financing subsidiary, issue commercial paper, which is supported by the revolving credit facility. AWCC had no outstanding borrowings and $88 million of outstanding letters of credit under its credit facility as of December 31, 2016. As of December 31, 2016, AWCC had $1.75 billion available under the credit facility that we could use to fulfill our short-term liquidity needs and to issue letters of credit, which supported our $849 million outstanding commercial paper. We believe that our ability to access the capital markets, our revolving credit facility and our cash flows from operations will generate sufficient cash to fund our short-term requirements. We have no plans to issue equity under normal operating conditions in the foreseeable future with the limited exception of privately or investor-owned tuck-in acquisitions whose sellers require equity as necessary to complete the acquisition. We believe we have sufficient liquidity and ability to manage our expenditures should there be a disruption of the capital and credit markets. However, there can be no assurances that our lenders will meet their existing commitments or that we will be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all.

In addition, our regulated subsidiaries receive advances and contributions from customers, home builders and real estate developers to fund construction necessary to extend service to new areas. Advances for construction are refundable for limited periods, which vary according to state regulations, as new customers begin to receive service or other contractual obligations are fulfilled. Amounts which are no longer refundable are reclassified to contributions in aid of construction. Utility plant funded by advances and contributions is excluded from our Regulated Businesses rate base. Generally, we depreciate contributed property and amortize contributions in aid of construction at the composite rate of the related property. Some of our subsidiaries do not depreciate contributed property, based on regulatory guidelines.

We use our capital resources, including cash, primarily to; (i) fund operating and capital requirements; (ii) pay interest and meet debt maturities; (iii) pay dividends; (iv) fund acquisitions; and (v) fund pension and postretirement benefit obligations. We invest a significant amount of cash on regulated capital projects where we expect to earn a long-term return on investment. Additionally, we operate in rate-regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Operating Segments—Regulated Businesses—Economic Regulation and Rate Making Process. We expect to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since we expect our capital investments over the next few years to be greater than or equal to our cash flows from operating activities, we have no plans to reduce debt significantly.

If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity, if necessary. In this event, we believe we can rely upon cash flows from operations to meet our obligations and fund our minimum required capital investments for an extended period of time.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the third quarter of each fiscal year. Our

future cash flows provided by operating activities will be affected by, among other things, economic utility regulation; inflation; compliance with environmental, health and safety standards; production costs; customer growth; declining customer usage of water; employee-related costs, including pension funding; weather and seasonality; taxes; and overall economic conditions.

Cash flows provided by operating activities have been a reliable, steady source of funding, sufficient to meet operating requirements, make our dividend payments and fund a portion of our capital expenditure requirements. We expect to seek access to debt capital markets to meet the balance of our capital expenditure requirements as needed. We also have access to equity capital markets, if needed. Operating cash flows can be negatively affected by changes in our rate regulated environments or changes in our customers' economic outlook and ability to pay for service in a timely manner. As such, our working capital needs are primarily limited to funding increases in customer accounts receivable and unbilled revenues mainly associated with revenue increases in our Regulated Businesses. We can provide no assurance that our customers' historical payment pattern will continue in the future. Sometimes our current liabilities exceed current assets because of the Company's debt due within one year and the periodic use of short-term debt as a funding source primarily to meet scheduled maturities of long-term debt, as well as cash needs which can fluctuate significantly due to the seasonality of the business, stage of our acquisitions and construction projects. We address cash timing differences through the aforementioned liquidity funding mechanisms.

The following table provides a summary of the major items affecting our cash flows provided by operating activities:

	For the For the Years Ended December 31,		
	2016	2015	2014
	(In millions)		
Net income	$ 468	$ 476	$ 423
Add (subtract):			
Non-cash activities (a)	787	773	723
Impact of binding global agreement in principle	65	—	—
Changes in working capital (b)	9	(13)	3
Pension and postretirement benefit contributions	(53)	(57)	(52)
Net cash flows provided by operating activities	$ 1,276	$ 1,179	$ 1,097

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

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities.

In 2016, cash flows provided by operations increased $97 million primarily due to an increase in net income after non-cash adjustments and the impact of the binding global agreement in principle which is not expected to be paid until late 2017 or early 2018 and an increase in cash flows from working capital. The main factors contributing to net income increase are described in this section under "Comparison of Consolidated Results of Operations" and included higher operating revenue partially offset by higher operation and maintenance expense. The increase in non-cash activities was mainly the result of an increase in depreciation and amortization attributable to infrastructure investment projects placed into service. The change in working capital was primarily the result of the following: (1) a change in accounts receivable and unbilled revenues resulting from continuous improvement in our Regulated Businesses' collection efforts, as well as a decrease in unbilled revenues in our Military Services Group attributable to lower capital upgrades in 2016 as compared to the same period in 2015; (2) timing of accounts payable and accrued liabilities; and (3) change in other current assets and liabilities.

In 2015, cash flows provided by operations increased $82 million primarily due to higher net income mainly as a result of improved operating performance. The main factors of this increase are described in this section

under “Comparison of Consolidated Results of Operations” and included higher operating revenue partially offset by higher operation and maintenance expense. The increase in non-cash activities were mainly the result of an increase in pensions/post-retirement benefit expense and higher deferred taxes. Pension/postretirement benefit expense increased in 2015 due to changes in actuarial assumptions, including the adoption of new mortality tables. The increase in deferred taxes was due to accelerated tax depreciation related to infrastructure investments. Offsetting these increases was a decrease in working capital which was principally driven by an increase in receivables and unbilled revenues due to higher customer rates; an increase in accounts payable and accrued liabilities, most of which was associated with the timing of payments and increase in accrued insurance; and a decrease in other current assets and liabilities, net which is the result of an increase in the book overdraft liability in 2014 for which there was no comparable change in 2015.

The Company expects to make pension and postretirement contributions to the plan trusts of $46 million in 2017, of which $11 million was already made in 2017. In addition, we estimate that contributions will amount to $43 million in 2018, $38 million in both 2019 and 2020 and $42 million in 2021. Actual amounts contributed could change materially from these estimates as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows Used in Investing Activities

Cash flows used in investing activities were as follows:

	For the For the Years Ended December 31,		
	2016	2015	2014
		(In millions)	
Net capital expenditures	$ (1,311)	$ (1,160)	$ (956)
Proceeds from sale of assets and securities	9	5	14
Acquisitions	(204)	(197)	(9)
Other investing activities, net (a)	(81)	(113)	(63)
Net cash flows used in investing activities	$ (1,587)	$ (1,465)	$ (1,014)

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

In 2016 and 2015, cash flows used in investing activities increased primarily due to an increase in our regulated capital expenditures, principally from incremental investments associated with the replacement and renewal of our transmission and distribution infrastructure.

Our infrastructure investment plan consists of both infrastructure renewal programs, where we replace infrastructure, as needed, and major capital investment projects, where we construct new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. Our projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

The following table provides a summary of our historical capital expenditures related to upgrading our infrastructure and systems:

	For the Years Ended December 31,		
	2016	2015	2014
		(In millions)	
Transmission and distribution	$ 568	$ 527	$ 463
Treatment and pumping	151	136	97
Services, meter and fire hydrants	297	214	170
General structure and equipment	202	174	142
Business transformation project	—	—	8
Sources of supply	59	53	31
Wastewater	34	56	45
Total capital expenditures	$ 1,311	$ 1,160	$ 956

In 2016, capital expenditures increased $151 million, or 13.0%, primarily due to the continued investment across the majority of our infrastructure categories.

In 2015, capital expenditures increased $204 million, or 21.3%, primarily due to continued investment across all infrastructure categories, mainly replacement and renewal of transmission and distribution infrastructure.

We also grow our business through acquisitions of water and wastewater systems, as well as other water-related services. These acquisitions are complementary to our existing business and support continued geographical diversification and growth of our operations. Generally, acquisitions are funded initially with short-term debt and later refinanced with the proceeds from long-term debt.

The following provides a summary of the acquisitions and dispositions affecting our cash flows from investing activities:

2016:

- Paid $199 million for 15 water and wastewater systems representing approximately 42,000 customers.
- Made a non-escrowed deposit of $5 million related to the pending McKeesport acquisition.
- Received $9 million for the sale of assets and securities.

2015:

- Paid $133 million for the acquisition of our ninety-five percent interest in Water Solutions Holdings, LLC, the parent company of Keystone.
- Paid $64 million for 14 water and wastewater systems representing approximately 24,000 customers.
- Received $5 million for the sale of assets and securities.

2014:

- Paid $9 million for 13 water and wastewater systems representing approximately 4,500 customers.
- Received $14 million for the sale of assets and securities.

As previously noted, we expect to invest in the range of $6.7 to $7.3 billion from 2017 through 2021. In 2017, we estimate that our total capital expenditures will be $1.5 billion, with $1.25 billion allocated to

improving infrastructure in our Regulated Businesses segment and $220 million to $340 million for acquisitions and strategic capital investments, including construction of our corporate headquarters building as discussed below.

We are moving forward with our plan to construct a new corporate headquarters to consolidate our support services and certain of our employees in our Market-Based Businesses within a single location. On December 2, 2016, we closed on the acquisition of the land on Camden, New Jersey's waterfront and began construction. The cost of construction is currently estimated to be up to $165 million and exclusive of any tax incentives that the Company may receive.

Cash Flows from Financing Activities

Our financing activities, primarily focused on funding infrastructure construction expenditures, include the issuance of long-term and short-term debt, primarily through AWCC. In addition, new infrastructure may be funded with customer advances and contributions in aid of construction (net of refunds), which amounted to $16 million for the year ended December 31, 2016 and $26 million for the years ended December 31, 2015 and 2014. Based on the needs of our regulated subsidiaries and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provides those borrowings to the regulated subsidiaries and the Company. The regulated subsidiaries and the Company are obligated to pay their portion of the respective principal and interest to AWCC in the amount necessary to enable AWCC to meet its debt service obligations. Because the Company's borrowings are not a source of capital for the regulated subsidiaries, the Company is not able to recover the interest charges on the Company's debt through regulated water and wastewater rates. As of December 31, 2016, AWCC has made long-term fixed rate loans and commercial paper loans to our Regulated Businesses amounting to $3.6 billion and $600 million, respectively. Additionally, as of December 31, 2016, AWCC has made long-term fixed rate loans and commercial paper loans to the Company totaling $1.4 billion and $249 million, respectively.

On March 24, 2016, we entered into three forward starting swap agreements with an aggregate notional amount of $225 million to reduce interest rate exposure for a portion of the expected refinancing of our 6.085% fixed-rate long-term debt maturing in 2017. These forward starting swap agreements terminate in December 2017 and have an average fixed interest rate of 2.29%. On July 1, 2016, we entered into another forward starting swap agreement with a notional amount of $75 million at a 30-year fixed rate of 1.92% to reduce the average 30-year fixed rate on the total hedged notional amount of $300 million to 2.20%. On February 8, 2017, we entered into a forward starting swap agreement with a notional amount of $100 million to reduce interest rate exposure for a portion of the expected refinancing of our 5.62% fixed-rate long-term debt maturing in December 2018. This forward starting swap agreement terminates in November 2018 and has a fixed rate of 2.67%. Changes in the fair value of the forward starting swaps will be recognized in accumulated other comprehensive income (loss) until the agreement's termination date.

In May, 2015, the Company and AWCC filed with the SEC a universal shelf registration statement that enables us to meet our capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock and other equity securities, and AWCC debt types of securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration will expire in May 2018. During 2016, 2015 and 2014, $550 million, $550 million and $500 million, respectively, of debt securities were issued pursuant to this and predecessor registration statements.

The following long-term debt was issued in 2016:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp. (a)	Senior notes—fixed rate	3.00%-4.00%	2026-2046	$ 550
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	1.00%-1.36%	2026-2037	3
Total issuances				$ 553

(a) On November 17, 2016, AWCC completed an offering of its senior fixed rate notes. Proceeds from this offering were used to lend funds to the Company and its regulated utilities, to repay its commercial paper borrowings and for general corporate purposes.

In addition to the above issuances, we also assumed $6 million of debt as a result of an acquisition in 2016, which had a fixed interest rate of 1.00% and matures in 2037.

The following long-term debt was retired through optional redemption or payment at maturity during 2016:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Senior notes—fixed rate	5.52%	2016	$ 37
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.30%	2016-2041	104
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Total retirements and redemptions				$ 144

The following long-term debt was issued in 2015:

Company	Type	Rate	Maturity	Amount
AWCC (a)	Senior notes—fixed rate	3.40%-4.30%	2025-2045	$ 550
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	1.00%-1.56%	2032	15
Total issuances				$ 565

(a) On August 13, 2015, AWCC completed an offering of its senior fixed rate notes. Proceeds from this offering were used to lend funds to the Company and its regulated utilities, to refinance commercial paper borrowings and to finance redemptions of long-term debt.

In addition to the above issuances, we also assumed $1 million of debt as a result of an acquisition in 2015, which has a fixed interest rate of 1.00% and matures in 2040.

The following long-term debt was retired through optional redemption or payment at maturity during 2015:

Company	Type	Rate	Maturity	Amount
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-5.25%	2015-2031	$ 36
AWCC	Senior notes—fixed rate	6.00%	2015	30
Other American Water subsidiaries (a)	Private activity bonds and government funded debt—fixed rate	0.00%-5.40%	2015-2041	61
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	4
Total retirements and redemptions				$ 131

(a) Includes $2 million of non-cash redemptions resulting from the use of restricted funds.

The following long-term debt was issued in 2014:

Company	Type	Rate	Maturity	Amount
AWCC (a)	Senior notes—fixed rate	3.40%-4.30%	2025-2042	$ 500
Other subsidiaries (b)	Private activity bonds and government funded debt—fixed rate	0.00%-5.00%	2031-2033	10
Total issuances				$ 510

(a) On August 14, 2014, AWCC completed an offering of its senior fixed rate notes. Proceeds from this offering were used to lend funds to the Company and its regulated utilities, to refinance commercial paper borrowings and to finance redemptions of long-term debt.

(b) Proceeds from the above issuance were received in 2014 and have been utilized to fund certain specific projects. $10.0 million of these proceeds are held in trust pending our certification that we have incurred qualifying capital expenditures. These issuances have been presented as non-cash on the Consolidated Statements of Cash Flows. Subsequent releases of all or a lesser portion of the funds by the trust are reflected as the release of restricted funds and are included in the investing activities in the Consolidated Statements of Cash Flows.

In addition to the above issuances, we also assumed $2 million of debt as a result of acquisitions in 2014.

The following long-term debt was retired through optional redemption or payment at maturity during 2014:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate	6.00%-6.75%	2018-2032	$ 101
American Water Capital Corp.	Senior notes—fixed rate	6.00%	2039	59
Other American Water subsidiaries (a)	Private activity bonds and government funded debt—fixed rate	0.00%-5.25%	2014-2041	79
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Total retirements and redemptions				$ 241

(a) Includes $1.0 million of non-cash redemptions resulting from the use of restricted funds.

From time to time and as market conditions warrant, we may engage in long-term debt retirements via tender offers, open market repurchases or other viable alternatives to strengthen our balance sheets.

In February 2015, our Board of Directors authorized an anti-dilutive common stock repurchase program to mitigate the effect of shares issued through our dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and to facilitate the repurchases, the Company has also entered into a Rule 10b5-1 share repurchase plans with a third-party broker, which allows us to repurchase shares at times when we may otherwise be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel this repurchase program or the share repurchase parameters at its discretion. As of December 31, 2016, we have repurchased an aggregate of approximately 3.3 million shares of common stock under this program.

Credit Facility and Short-Term Debt

We have an unsecured revolving credit facility of $1.75 billion through June 2020. In March 2016, and under the terms of the revolving credit agreement dated June 30, 2015, AWCC exercised its right to increase its borrowing capacity available under our revolving credit facility from the aggregate maximum of $1.25 billion to $1.75 billion. All other terms, conditions and covenants with respect to the existing facility remained unchanged. On June 30, 2015, AWCC and its lenders extended the termination date of the revolving credit facility from October 2018 to June 2020. This amended and restated agreement also allowed AWCC to request to extend further the term of the credit facility for up to two one-year periods. An extension request must satisfy certain conditions and receive approval of the lenders, as set forth in the agreement.

Interest rates on advances under the facility are based on a credit spread to the Eurodollar rate or base rate in accordance with AWCC then-applicable Moody Investors Service or Standard & Poor’s Ratings Services credit rating. At current ratings that spread would be 0.90%. The facility is used principally to support AWCC’s commercial paper program and to provide up to $150 million in letters of credit. Indebtedness under the facility is considered “debt” for purposes of a support agreement between American Water and AWCC, which serves as a functional equivalent of a guarantee by American Water of AWCC’s payment obligations under the credit facility.

AWCC also has an outstanding commercial paper program that is backed by the revolving credit facility, the maximum aggregate amount of which on March 22, 2016 was increased from $1.0 billion to $1.6 billion.

Keystone has its own line of credit facility with a maximum availability of up to $16 million dependent on a collateral base calculation. Borrowings under this facility are payable upon demand with interest being paid monthly. Interest accrues each day at a rate per annum equal to 2.75% above the greater of the one month or one day LIBOR. The borrowing base under the facility allows for financing up to the greater of the note or 80% of eligible accounts receivable. Based on the collateral assets at December 31, 2016, $6 million was available to borrow. At December 31, 2016, there were no outstanding borrowings.

The following table summarizes information regarding the Company's aggregate credit facility commitments, letter of credit sub-limits and available funds under those revolving credit facilities, as well as outstanding amounts of commercial paper and outstanding borrowings under the respective facilities as of December 31, 2016 and 2015:

	Credit Facility Commitment	Available Credit Facility Capacity	Letter of Credit Sublimit	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
			(In millions)			
December 31, 2016	$ 1,766	$ 1,668	$ 150	$ 62	$ 1,600	$ 751
December 31, 2015	1,266	1,182	150	68	1,000	374

The weighted-average interest rate on AWCC short-term borrowings for the years ended December 31, 2016 and 2015 was approximately 0.78% and 0.49%, respectively.

Capital Structure

The following table indicates the percentage of our capitalization represented by the components of our capital structure as of December 31:

	2016	2015	2014
Total common stockholders' equity	42.1%	43.5%	45.2%
Long-term debt and redeemable preferred stock at redemption value	46.4%	50.6%	50.1%
Short-term debt and current portion of long-term debt	11.5%	5.9%	4.7%
Total	100%	100%	100%

The changes in the capital structure between periods were mainly attributable to an increase in the current portion of long-term debt.

Debt Covenants

Our debt agreements contain financial and non-financial covenants. To the extent that we are not in compliance with these covenants, an event of default may occur under one or more debt agreements and we or our subsidiaries may be restricted in our ability to pay dividends, issue new debt or access our revolving credit facility. Our long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Our failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require us to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2016, our ratio was 0.58 to 1.00 and therefore we were in compliance with the covenants.

Security Ratings

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

Our long-term and short-term credit rating and rating outlook as of December 31, 2016 are as follows:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating Outlook	Stable	Stable
Senior unsecured debt	A3	A
Commercial paper	P2	A-1

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

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

Dividends

Our Board of Directors authorizes the payment of dividends. Our ability to pay dividends on our common stock is subject to having access to sufficient sources of liquidity, the net income and cash flows of our subsidiaries, the receipt of dividends and repayments of indebtedness from our subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements, and other factors. The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. Historically, dividends have been paid quarterly to holders of record approximately 15 days prior to the distribution date. Since the dividends on our common stock are not cumulative, only declared dividends are paid.

During 2016, 2015 and 2014, we paid $261 million, $239 million and $216 million in cash dividends, respectively. The following table summarizes the per share cash dividends paid for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
December	$ 0.375	$ 0.34	$ 0.31
September	$ 0.375	$ 0.34	$ 0.31
June	$ 0.375	$ 0.34	$ 0.31
March	$ 0.34	$ 0.31	$ 0.28

On December 9, 2016, our Board of Directors declared a quarterly cash dividend payment of $0.375 per share payable on March 1, 2017 to stockholders of record as of February 7, 2017.

Regulatory Restrictions

The issuance by the Company or AWCC of long-term debt or equity securities does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. However, state PUC authorization is required to issue long-term debt at most of our regulated subsidiaries. Our regulated subsidiaries normally obtain the required approvals on a periodic basis to cover their anticipated financing needs for a period of time or in connection with a specific financing.

Under applicable law, our subsidiaries can pay dividends only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the dividends that the subsidiary can distribute to us. Furthermore, the ability of our subsidiaries to pay upstream dividends or repay indebtedness to American Water is subject to compliance with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations, and other agreements or covenants made or entered into by American Water and its subsidiaries.

Insurance Coverage

We carry various property, casualty and financial insurance policies with limits, deductibles and exclusions that we believe are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going forward basis. We are self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on our short-term and long-term financial condition and our results of operations and cash flows.

Contractual Obligations and Commitments

We enter into contractual obligations with third parties in the ordinary course of business. Information related to our contractual obligations as of December 31, 2016 is summarized in the table below:

Contractual obligation	Total	1 year or Less	2-3 Years	4-5 years	More Than 5 years
			(In millions)		
Long-term debt obligations (a)	$ 6,312	$ 572	$ 620	$ 498	$ 4,622
Interest on long-term debt (b)	4,402	332	560	521	2,989
Operating lease obligations (c)	122	14	23	15	70
Purchase water obligations (d)	1,042	56	122	129	735
Other purchase obligations (e)	142	142	—	—	—
Postretirement benefit plans' obligations (f)	6	6	—	—	—
Pension plan obligations (f)	195	40	75	80	—
Preferred stocks with mandatory redemption requirements	12	2	3	3	4
Interest on preferred stock with mandatory redemption requirements	6	1	1	1	3
Other obligations (g)	1,102	337	302	101	362
Total	$ 13,341	$ 1,502	$ 1,706	$ 1,348	$ 8,785

Note: The above table reflects only financial obligations and commitments. Therefore, performance obligations associated with our Market-Based Businesses are not included in the above amounts. Also, uncertain tax positions of $169 million are not reflected in this table as we cannot predict when open tax years will close with completed examinations. See Note 13—Income Taxes in the Notes to the Consolidated Financial Statements.

(a) Represents sinking fund obligations, debt maturities and capital lease obligations.

(b) Represents expected interest payments on outstanding long-term debt. Amounts reported may differ from actual due to future financing of debt.

(c) Represents future minimum payments under non-cancelable operating leases, primarily for the lease of motor vehicles, buildings, land and other equipment including water facilities and systems constructed by partners under the Public-Private Partnerships described below.

(d) Represents future payments under water purchase agreements for minimum quantities of water.

(e) Represents the open purchase orders as of December 31, 2016, for goods and services purchased in the ordinary course of business.

(f) Represents contributions expected to be made to pension and postretirement benefit plans for the years 2017 through 2021.

(g) Includes an estimate of advances for construction to be refunded, capital expenditures estimated to be required under legal and binding contractual obligations, contracts entered into for energy purchases, a liability associated with a conservation agreement and service agreements.

Public-Private Partnerships

WVAWC has entered into a series of agreements with various public entities, which we refer to as the Partners, to establish certain joint ventures, commonly referred to as "public-private partnerships." Under the public-private partnerships, WVAWC constructed utility plant, financed by WVAWC, and the Partners constructed utility plant (connected to WVAWC's property), financed by the Partners. WVAWC agreed to transfer and convey some of its real and personal property to the Partners in exchange for an equal principal amount of Industrial Development Bonds, commonly referred to as IDBs, issued by the Partners under a state Industrial Development Bond and Commercial Development Act. WVAWC leased back the total facilities, including portions funded by both WVAWC and the Partners, under leases for a period of 40 years.

The leases have payments that approximate the payments required by the terms of the IDBs. These payments are considered "PILOT payments" which represent payments in lieu of taxes and approximate what WVAWC otherwise would pay as property taxes on the properties. We have presented the transaction on a net

basis in the consolidated financial statements. The carrying value of the transferred facilities, which is presented in property, plant and equipment in the Consolidated Balance Sheets, was approximately $152 million as of December 31, 2016.

Performance Obligations

We have entered into agreements for the provision of services to water and wastewater facilities for the United States military, municipalities and other customers. These military services agreements expire between 2051 and 2065 and have remaining performance commitments as measured by estimated remaining contract revenues of $3.1 billion as of December 31, 2016. The operations and maintenance agreements with municipalities and other customers expire between 2015 and 2048 and have remaining performance commitments as measured by estimated remaining contract revenue of $794 million as of December 31, 2016. Some of the Company's long-term contracts to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities include responsibility for certain major maintenance for some of the facilities, in exchange for an annual fee.

Critical Accounting Policies and Estimates

The application of critical accounting policies is particularly important to our financial condition and results of operations and provides a framework for management to make significant estimates, assumptions and other judgments. Although our management believes that these estimates, assumptions and other judgments are appropriate, they relate to matters that are inherently uncertain. Accordingly, changes in the estimates, assumptions and other judgments applied to these accounting policies could have a significant impact on our financial condition and results of operations as reflected in our consolidated financial statements.

Our financial condition, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Judgments made include anticipated recovery of costs, especially through regulated operations, the likelihood of success of particular projects, possible legal and regulatory challenges, assumptions made in regards to pension and other benefit and forecast assumptions utilized in goodwill impairment testing. Our management has reviewed these critical accounting policies, and the estimates and assumptions regarding them, with our audit committee. In addition, our management has also reviewed the following disclosures regarding the application of these critical accounting policies with the audit committee.

For further information, see Note 2—Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

Rate Regulation and Regulatory Accounting

Our regulated utility subsidiaries are subject to regulation by state PUCs and the local governments of the states in which they operate. As such, we follow the authoritative accounting principles required for rate regulated entities, which requires us to reflect the effects of rate regulation in our financial statements. Use of the authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service plus a return on net investment, or rate base. As of December 31, 2016, we concluded that the operations of our regulated subsidiaries met the criteria.

The application of the accounting principles has a further effect on the Company's financial statements as a result of the estimates of allowable costs used in the ratemaking process. We make significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgements include but are not limited to assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation

rates and taxes. Due to timing and other differences in the collection of revenue, these accounting principles allow a cost that would otherwise be charged as an expense by an unregulated entity to be capitalized as a regulatory asset if it is probable that such cost is recoverable through future rates; conversely, the principles allow creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future or amounts collected in excess of costs incurred and are refundable to customers. Regulators may also impose certain fines or penalties.

As of December 31, 2016, we have recorded $1.3 billion of regulatory assets and $403 million of regulatory liabilities within our consolidated financial statements. See Note 6—Regulatory Assets and Liabilities in the Notes to Consolidated Financial Statements for further information regarding the significant regulatory assets and liabilities.

For each regulatory jurisdiction where we conduct business, we assess at the end of each reporting period whether the regulatory assets and liabilities continue to meet the criteria for probable future recovery or settlement. This assessment includes consideration of factors such as changes in applicable regulatory environments, recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction, the status of any pending or potential legislation that could impact the ability to recover costs through regulated rates. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or settlement, our statement of operations and financial position could be materially affected. In addition, if we conclude in a future period that a separable portion of the business no longer meets the criteria, we are required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the consolidated financial statements. Failure to meet the criteria of the authoritative guidance could materially impact our consolidated financial statements.

Goodwill

The Company has recorded $1.3 billion of goodwill at December 31, 2016 and 2015. The Company's annual impairment test is performed as of November 30 of each year, in conjunction with the timing of the completion of the Company's annual business plan. The Company also undertakes interim reviews when the Company determines that a triggering event that would more likely than not reduce the fair value of a reporting unit below its carrying value has occurred.

Entities assessing goodwill for impairment have the option of first performing a qualitative assessment to determine whether a quantitative assessment is necessary. In performing a qualitative assessment, the Company assess and makes judgments, among other things around, macroeconomic conditions, industry and market considerations, overall financial performance, cost factors and entity specific events. If an entity determines, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not greater than the carrying amount, no further testing is required. If the entity bypasses the qualitative assessment or performs the qualitative assessment, but determines that it is more likely than not that its fair value is less than its carrying amount, a quantitative two-step, fair value-based test is performed.

The first step compares the estimated fair value of the reporting unit to its respective net carrying values, including goodwill, on the measurement date. If the estimated fair value of any reporting unit is less than such reporting unit's carrying value, then the second step is performed to measure the amount of the impairment loss (if any) for such reporting unit.

The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation accounting guidance in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount for the reporting unit, an impairment loss is recorded as a reduction to goodwill and a charge to operating expense. Application of the goodwill impairment test requires significant management judgment, including the identification of reporting units and determining the fair value

of the reporting unit. Management estimates fair value using a combination of a discounted cash flow analysis and market multiples analysis. Significant assumptions used in these fair value analyses include, but are not limited to, discount and growth rates and projected terminal values.

For further information, see Note 7—Goodwill and Other Intangible Assets in the Notes to the Consolidated Financial Statements.

Impairment of Long-Lived Assets

Long-lived assets include land, buildings, equipment and long-term investments. Long-lived assets, other than investments and land, are depreciated over their estimated useful lives, and are reviewed for impairment whenever changes in circumstances indicate the carrying value of the asset may not be recoverable. Such circumstances would include items such as a significant decrease in the market value of a long-lived asset, a significant adverse change in the manner in which the asset is being used or planned to be used or in its physical condition, or a history of operating or cash flow losses associated with the use of the asset. In addition, changes in the expected useful life of these long-lived assets may also be an impairment indicator. When such events or changes occur, we estimate the fair value of the asset from future cash flows expected to result from the use and, if applicable, the eventual disposition of the assets, and compare that to the carrying value of the asset. If the carrying value is greater than the fair value, an impairment loss is recognized equal to the amount by which the asset's carrying value exceeds its fair value. The key variables that must be estimated include assumptions regarding sales volume, rates, operating costs, labor and other benefit costs, capital additions, assumed discount rates and other economic factors. These variables require significant management judgment and include inherent uncertainties since they are forecasting future events. A variation in the assumptions used could lead to a different conclusion regarding the realizability of an asset and, thus, could have a significant effect on the consolidated financial statements.

The long-lived assets of the regulated utility subsidiaries are grouped on a separate entity basis for impairment testing as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The fair values of long-term investments are dependent on the financial performance and solvency of the entities in which we invest, as well as volatility inherent in the external markets. In assessing potential impairment for these investments, we consider these factors. If such assets are considered impaired, an impairment loss is recognized equal to the amount by which the asset's carrying value exceeds its fair value.

Revenue Recognition

Revenues of the regulated utility subsidiaries are recognized as water and wastewater services are delivered to customers and include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the meter reading associated with the latest customer bill to the end of the accounting period. Unbilled utility revenues as of December 31, 2016 and 2015 were $161 million and $144 million, respectively. Increases or decrease in volumes delivered to the utilities' customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. Changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the estimated unbilled revenue.

Revenue from Market-Based Businesses is recognized as services are rendered. Revenues from certain construction projects are recognized over the contract term based on the costs incurred to date during the period compared to the total estimated costs over the entire contract. Losses on contracts are recognized during the period in which the loss first becomes probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenue. Unbilled market-based revenues as of December 31, 2016 and 2015 were $102 million and $123 million, respectively. Billings in excess of revenues

recognized on construction contracts are recorded as other current liabilities on the balance sheet until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of net operating loss carryforwards.

In accordance with applicable authoritative guidance, we account for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the consolidated financial statements.

We evaluate the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and our intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. We also assess our ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. We record valuation allowances for deferred tax assets when we conclude it is more-likely-than-not such benefit will not be realized in future periods.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, our forecasted financial condition and results of operations, failure to successfully implement tax planning strategies, recovery of taxes through the regulatory process for our Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. While we believe the resulting tax balances as of December 31, 2016 and 2015 are appropriately accounted for in accordance with the applicable authoritative guidance, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to our consolidated financial statements and such adjustments could be material. See Note 13—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

We maintain noncontributory defined benefit pension plans covering eligible employees of our regulated utility and shared service operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. We also maintain other postretirement benefit plans, which provide varying levels of medical and life insurance for eligible retirees. These retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company also has several unfunded noncontributory supplemental non-qualified pension plans that provide additional retirement benefits to certain employees. The Company does not participate in a multiemployer plan. See Note 14—Employee Benefits in the Notes to Consolidated Financial Statements for further information regarding the accounting for the defined benefit pension plans and postretirement benefit plans. The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent

in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due;
- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs we record currently;
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement;
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care; and
- Mortality—In 2014, management adopted a table based on the Society of Actuaries RP 2014 mortality table including a generational BB-2D projection scale.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. We use an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. The yield curve was developed for a portfolio containing the majority of United States-issued AA-graded non-callable (or callable with make-whole provisions) corporate bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The discount rate for determining pension benefit obligations was 4.28%, 4.66% and 4.24% at December 31, 2016, 2015 and 2014, respectively. The discount rate for determining other post-retirement benefit obligations was 4.26%, 4.67% and 4.24% at December 31, 2016, 2015 and 2014, respectively.

In selecting an expected return on plan assets, we considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The long-term EROA assumption used in calculating pension cost was 7.02% for 2016, 6.91% for 2015, and 6.91% for 2014. The weighted average EROA assumption used in calculating other postretirement benefit costs was 5.37% for 2016, 4.92% for 2015 and 5.87% for 2014.

The asset allocations for the Company's U.S. pension plan by asset category were as follows:

Asset Category	Target Allocation 2017	Percentage of Plan Assets as of December 31, 2016	2015
Equity securities	52%	49%	50%
Fixed income	40%	42%	41%
Real Estate	6%	7%	7%
Real estate investment trusts ("REITs")	2%	2%	2%
Total	100%	100%	100%

The investment policy guidelines of the pension plan require that the fixed income portfolio has an overall weighted average credit rating of AA or better by Standard & Poor's and the minimum credit quality for fixed income securities must be BBB- or better. Up to 20% of the portfolio may be invested in collateralized mortgage obligations backed by the United States Government.

The Company's other postretirement benefit plans are partially funded. The asset allocations for the Company's other postretirement benefit plans by asset category were as follows:

Asset Category	Target Allocation 2017	Percentage of Plan Assets as of December 31, 2016	2015
Equity securities	32%	33%	32%
Fixed income	68%	67%	68%
REITs	—	—	—
Total	100%	100%	100%

The Company's investment policy, and related target asset allocation, is evaluated periodically through asset liability studies. The studies consider projected cash flows of maturity liabilities, projected asset class return risk, and correlation and risk tolerance.

The pension and postretirement welfare plan trusts investments include debt and equity securities held either directly or through commingled funds. The trustee for the Company's defined benefit pension and postretirement welfare plans uses independent valuation firms to calculate the fair value of plan assets. Additionally, the Company independently verifies the assets values. Approximately 44.8% of the assets are valued using the quoted market price for the assets in an active market at the measurement date, while 55.2% of the assets are valued using other inputs.

In selecting a rate of compensation increase, we consider past experience in light of movements in inflation rates. Our rate of compensation increase was 3.07% for 2016, 3.10% for 2015 and 3.12% for 2014.

In selecting health care cost trend rates, we consider past performance and forecasts of increases in health care costs. Our health care cost trend rate used to calculate the periodic cost was 6.50% in 2016 gradually declining to 5.00% in 2021 and thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. The health care cost trend rate is based on historical rates and expected market conditions. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

Change in Actuarial Assumption	Impact on Other Postretirement Benefit Obligation as of December 31, 2016	Impact on 2016 Total Service and Interest Cost Components
	(In millions)	
Increase assumed health care cost trend by 1%	$ 74	$ 7
Decrease assumed health care cost trend by 1%	$ (61)	$ (6)

We will use a discount rate and EROA of 4.28% and 6.49%, respectively, for estimating our 2017 pension costs. Additionally, we will use a discount rate and expected blended return based on weighted assets of 4.26% and 5.09%, respectively, for estimating our 2017 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase our pension expense. Our 2016 and 2015 pension and postretirement benefit costs were $54 million and $61 million, respectively. The Company expects to make pension and postretirement

benefit contributions to the plan trusts of $39 million, $37 million, $38 million, $38 million and $42 million in 2017, 2018, 2019, 2020 and 2021, respectively. Actual amounts contributed could change significantly from these estimates. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards. As these assumptions change from period to period, recorded pension and postretirement benefit amounts and funding requirements could also change.

Accounting for Contingencies

We record loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss can be reasonably estimated. The determination of a loss contingency is based on management judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limed to: the nature of the litigation, claim or assessment, available information, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. We provide disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. We provide estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement of contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the consolidated financial statements. For a discussion of contingencies, see Note 15—Commitments and Contingencies in the Notes to Consolidated Financial Statements.

New Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk associated with changes in commodity prices, equity prices and interest rates. We are exposed to risks from changes in interest rates as a result of our issuance of variable and fixed rate debt and commercial paper. We manage our interest rate exposure by limiting our variable rate exposure and by monitoring the effects of market changes in interest rates. We also have the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps, swaptions and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2016, a hypothetical increase of interest rates by 1% associated with our short-term borrowings would result in a $9 million increase in short-term interest expense.

In July 2010, we entered into an interest rate swap agreement with a notional amount of $100 million. This agreement effectively converted the interest on $100 million of outstanding 6.085% fixed rate debt maturing 2017 to a variable rate of six-month LIBOR plus 3.422%. We entered into this interest rate swap to mitigate interest cost at the parent company relating to debt that was incurred by our prior owners and was not used in any manner to finance the cash needs of our subsidiaries. The interest rate swap reduced interest expense by $2 million for the years ended December 31, 2016, 2015 and 2014. As the swap interest rates are fixed through April 2017, a hypothetical 1% increase in the interest rates associated with the interest rate swap agreement would result in a $1 million increase in interest expense for the year ended December 31, 2016. This calculation holds all other variables constant and assumes only the discussed changes in interest rates.

The Company has four forward starting swap agreements with an aggregate notional amount of $300 million to reduce interest rate exposure on debt expected to be issued in 2017. The forward starting swap agreements terminate in December 2017 and have an average fixed rate of 2.20%. When entering into forward starting interest rate swaps, the Company is subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the forward starting interest rate swaps. We manage market risk by matching terms of the swaps with the critical terms of the expected debt issuance. The fair value of the forward starting swaps at December 31, 2016 was $27 million. A hypothetical 1.00% adverse change in interest rates would result in a decrease in the fair value of our forward starting swaps of approximately $65 million at December 31, 2016.

Our risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on our results of operations, financial position and cash flows.

The market price of our common stock may experience fluctuations, which may be unrelated to our operating performance. In particular, our stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for us to access the capital markets in the future through additional offerings of our common stock, regardless of our financial performance, and such difficulty may preclude us from being able to take advantage of certain business opportunities or meet business obligations.

We are exposed to credit risk through our water, wastewater and other water-related services provided by our Regulated Businesses and Market-Based Businesses. Our Regulated Businesses serve residential, commercial, industrial and other customers while our Market-Based Businesses engage in business activities with developers, government entities and other customers. Our primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. Our credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. Our credit portfolio is diversified with no significant customer or industry concentrations. In addition, our Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company’s retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset value can impact the Company’s pension and other benefits expense, funded status and future minimum funding requirements. Our risk is reduced through our ability to recover pension and other benefit costs through rates. In addition, pension and other benefits liabilities decrease as fixed income asset values decrease (fixed income yields rise) since the rate at which we discount pension and other retirement trust asset future obligations is highly correlated to fixed income yields.

We are also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which we operate. The credit quality of our customer accounts receivable is dependent on the economy and the ability of our customers to manage through unfavorable economic cycles and other market changes. In addition, as a result of the downturn in the economy and heightened sensitivity of the impact of additional rate increases on certain customers, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, our ability to fully recover operating expense, recover our investment and provide an appropriate return on invested capital made in our Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive income, of cash flows, and of changes in stockholders' equity present fairly, in all material respects, the financial position of American Water Works Company, Inc. and Subsidiary Companies at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 21, 2017

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2016	December 31, 2015
ASSETS		
Property, plant and equipment	$ 19,954	$ 18,504
Accumulated depreciation	(4,962)	(4,571)
Property, plant and equipment, net	14,992	13,933
Current assets:		
Cash and cash equivalents	75	45
Restricted funds	20	21
Accounts receivable, net	269	255
Unbilled revenues	263	267
Materials and supplies	39	38
Other	118	31
Total current assets	784	657
Regulatory and other long-term assets:		
Regulatory assets	1,289	1,271
Goodwill	1,345	1,302
Other	72	78
Total regulatory and other long-term assets	2,706	2,651
TOTAL ASSETS	$ 18,482	$ 17,241

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2016	December 31, 2015
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 181,798,555 and 180,907,483 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,388	6,351
Accumulated deficit	(873)	(1,073)
Accumulated other comprehensive loss	(86)	(88)
Treasury stock, at cost (3,701,867 and 2,625,112 shares respectively)	(213)	(143)
Total common stockholders' equity	5,218	5,049
Long-term debt	5,749	5,862
Redeemable preferred stock at redemption value	10	12
Total long-term debt	5,759	5,874
Total capitalization	10,977	10,923
Current liabilities:		
Short-term debt	849	628
Current portion of long-term debt	574	54
Accounts payable	154	126
Accrued liabilities	609	493
Taxes accrued	31	26
Interest accrued	63	62
Other	112	144
Total current liabilities	2,392	1,533
Regulatory and other long-term liabilities:		
Advances for construction	300	349
Deferred income taxes, net	2,596	2,310
Deferred investment tax credits	23	24
Regulatory liabilities	403	402
Accrued pension expense	419	342
Accrued postretirement benefit expense	87	169
Other	67	68
Total regulatory and other long-term liabilities	3,895	3,664
Contributions in aid of construction	1,218	1,121
Commitments and contingencies (See Note 15)	—	—
TOTAL CAPITALIZATION AND LIABILITIES	$ 18,482	$ 17,241

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2016	2015	2014
Operating revenues	$ 3,302	$ 3,159	$ 3,011
Operating expenses:			
Operation and maintenance	1,504	1,404	1,350
Depreciation and amortization	470	440	424
General taxes	258	243	236
Gain on asset dispositions and purchases	(10)	(3)	(2)
Total operating expenses, net	2,222	2,084	2,008
Operating income	1,080	1,075	1,003
Other income (expense):			
Interest, net	(325)	(308)	(299)
Other, net	15	15	6
Total other income (expense)	(310)	(293)	(293)
Income from continuing operations before income taxes	770	782	710
Provision for income taxes	302	306	280
Income from continuing operations	468	476	430
Loss from discontinued operations, net of tax	—	—	(7)
Net income attributable to common stockholders	$ 468	$ 476	$ 423
Basic earnings per share: (a)			
Income from continuing operations	$ 2.63	$ 2.66	$ 2.40
Loss from discontinued operations, net of tax	$ —	$ —	$ (0.04)
Net income attributable to common stockholders	$ 2.63	$ 2.66	$ 2.36
Diluted earnings per share: (a)			
Income from continuing operations	$ 2.62	$ 2.64	$ 2.39
Loss from discontinued operations, net of tax	$ —	$ —	$ (0.04)
Net income attributable to common stockholders	$ 2.62	$ 2.64	$ 2.35
Weighted average common shares outstanding			
Basic	178	179	179
Diluted	179	180	180
Dividends declared per common share	$ 1.50	$ 1.36	$ 1.24

(a) Amounts may not sum due to rounding.

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2016	2015	2014
Net income attributable to common stockholders	$ 468	$ 476	$ 423
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $(14), $(6) and $(29) in 2016, 2015 and 2014, respectively	(21)	(10)	(46)
Pension amortized to periodic benefit cost:			
Actuarial loss, net of tax of $4 and $3 in 2016 and 2015, respectively	6	5	—
Foreign currency translation adjustment	—	(1)	—
Unrealized gain (loss) on cash flow hedges, net of tax of $10 and $(1) in 2016 and 2014, respectively	17	—	(1)
Net other comprehensive income (loss)	2	(6)	(47)
Comprehensive income attributable to common stockholders	$ 470	$ 470	$ 376

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 468	$ 476	$ 423
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	470	440	424
Deferred income taxes and amortization of investment tax credits	282	296	254
Provision for losses on accounts receivable	27	32	37
Gain on asset dispositions and purchases	(10)	(3)	(2)
Pension and non-pension postretirement benefits	54	61	24
Other non-cash, net	(36)	(53)	(14)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(31)	(84)	(62)
Pension and non-pension postretirement benefit contributions	(53)	(57)	(52)
Accounts payable and accrued liabilities	60	80	27
Other current assets and liabilities, net	(20)	(9)	38
Impact of binding global agreement in principle	65	—	—
Net cash provided by operating activities	1,276	1,179	1,097
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,311)	(1,160)	(956)
Acquisitions, net of cash acquired	(204)	(197)	(9)
Proceeds from sale of assets and securities	9	5	14
Removal costs from property, plant and equipment retirements, net	(84)	(107)	(78)
Net funds (restricted) released	3	(6)	15
Net cash used in investing activities	(1,587)	(1,465)	(1,014)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	553	565	501
Repayments of long-term debt	(144)	(130)	(240)
Proceeds from short-term borrowings with maturities greater than three months	—	60	35
Repayments of short-term borrowings with maturities greater than three months	—	(60)	(256)
Net short-term borrowings with maturities less than three months	221	180	41
Proceeds from issuances of employee stock plans and DRIP	26	39	21
Advances and contributions for construction, net of refunds of $31, $23 and $21 in 2016, 2015 and 2014, respectively	16	26	26
Debt issuance costs	(5)	(7)	(5)
Dividends paid	(261)	(239)	(216)
Anti-dilutive share repurchases	(65)	(126)	—
Tax benefit realized from equity compensation	—	—	6
Net cash provided by (used in) financing activities	341	308	(87)
Net increase (decrease) in cash and cash equivalents	30	22	(4)
Cash and cash equivalents at beginning of period	45	23	27
Cash and cash equivalents at end of period	$ 75	$ 45	$ 23
Cash paid during the year for:			
Interest, net of capitalized amount	$ 327	$ 309	$ 301
Income taxes, net of refunds of $0, $1 and $4 in 2016, 2015 and 2014, respectively	$ 16	$ 12	$ 16
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 171	$ 224	$ 186

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Stockholders' Equity

(In millions)

	Common Stock		Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2013	178.4	$ 2	$ 6,262	$ (1,496)	$ (35)	(0.1)	$ (5)	$ 4,728
Net income	—	—	—	423	—	—	—	423
Direct stock reinvestment and purchase plan	0.1	—	2	—	—	—	—	2
Employee stock purchase plan	0.1	—	5	—	—	—	—	5
Stock-based compensation activity	0.9	—	33	(1)	—	(0.1)	(6)	26
Net other comprehensive income (loss)	—	—	—	—	(47)	—	—	(47)
Dividends	—	—	—	(222)	—	—	—	(222)
Balance as of December 31, 2014	179.5	$ 2	$ 6,302	$ (1,296)	$ (82)	(0.2)	$ (11)	$ 4,915
Cumulative effect of change in accounting principle	—	—	—	(8)	—	—	—	(8)
Net income attributable to common stockholders	—	—	—	476	—	—	—	476
Direct stock reinvestment and purchase plan	0.1	—	4	—	—	—	—	4
Employee stock purchase plan	0.1	—	5	—	—	—	—	5
Stock-based compensation activity	1.2	—	40	(1)	—	(0.1)	(6)	33
Repurchases of common stock	—	—	—	—	—	(2.3)	(126)	(126)
Net other comprehensive income (loss)	—	—	—	—	(6)	—	—	(6)
Dividends	—	—	—	(244)	—	—	—	(244)
Balance as of December 31, 2015	180.9	$ 2	$ 6,351	$ (1,073)	$ (88)	(2.6)	$ (143)	$ 5,049
Net income attributable to common stockholders	—	—	—	468	—	—	—	468
Direct stock reinvestment and purchase plan	0.1	—	5	—	—	—	—	5
Employee stock purchase plan	0.1	—	7	—	—	—	—	7
Stock-based compensation activity	0.7	—	25	(1)	—	(0.1)	(5)	19
Repurchases of common stock	—	—	—	—	—	(1.0)	(65)	(65)
Net other comprehensive income (loss)	—	—	—	—	2	—	—	2
Dividends	—	—	—	(267)	—	—	—	(267)
Balance as of December 31, 2016	181.8	$ 2	$ 6,388	$ (873)	$ (86)	(3.7)	$ (213)	$ 5,218

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

American Water Works Company, Inc. and Subsidiary Companies

Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is the holding company for regulated and market-based subsidiaries throughout the United States and Ontario, Canada. The Regulated Businesses provide water and wastewater services as public utilities in 16 states in the United States. The Market-Based Businesses is comprised of four non-reportable operating segments including Military Services Group, which conducts operation and maintenance ("O&M") of water and wastewater systems for military bases; Contract Operations Group, which conducts O&M of water and wastewater facilities for municipalities and the food and beverage industry; Homeowner Services Group, which primarily provides water and sewer line protection plans for homeowners; and Keystone, which provides water services for natural gas exploration and production companies.

Note 2: Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany accounts and transactions. Intercompany balances and transactions between subsidiaries have been eliminated. The Company uses the equity method to report its investments in joint ventures in which the Company holds up to a 50% voting interest and cannot exercise control over the operations and policies of the investments. Under the equity method, the Company records its interests as an investment and its percentage share of the investee's earnings as earnings or losses.

In July 2015, the Company acquired a ninety-five percent interest in Water Solutions Holdings, LLC, including its wholly-owned subsidiary, Keystone Clearwater Solutions, LLC (collectively referred to as "Keystone"). The outside stockholders' interest, which is redeemable at the option of the minority owners, is recognized as redeemable noncontrolling interest. The redeemable noncontrolling interest amounted to $7 as of December 31, 2016 and 2015, and is included in other long-term liabilities in the accompanying Consolidated Balance Sheets. The net loss attributable to the noncontrolling interest was not significant. The Company has entered into an agreement, whereby it has the option to acquire from the minority owners, and the minority owners have the option to sell to the Company, the remaining five percent interest at fair value upon the occurrence of certain triggering events or at the defined date of December 31, 2018.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The Company considers its critical accounting estimates to include: the application of regulatory accounting principles and the related determination and estimates of regulatory assets and liabilities; estimates used in impairment testing of goodwill and other long-lived assets, including regulatory assets; revenue recognition; accounting for income taxes; benefit plan assumptions; and contingent liabilities. The Company's critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, benefit plans assumptions, contingency-related obligations and goodwill.

Regulation

The Company's regulated utilities are subject to economic regulation by the public utility commissions and the local governments of the states in which they operate (the "PUCs"). These PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also impose certain penalties or grant certain incentives. Due to timing and other differences in the collection of utility revenue, an incurred cost that would otherwise be charged to expense by a non-regulated entity is to be deferred as a regulatory asset if it is probable that the cost is recoverable in future rates. Conversely, GAAP requires recording of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future or amounts collected in excess of costs incurred and refundable to customers. See Note 6—Regulatory Assets and Liabilities.

Property, Plant and Equipment

Property, plant and equipment consist primarily of utility plant. Additions to utility plant and replacements of retirement units of property are capitalized. Costs include material, direct labor and such indirect items as engineering and supervision, payroll taxes and benefits, transportation and an allowance for funds used during construction ("AFUDC"). The cost of repairs, maintenance, including planned major maintenance activities, and minor replacements is charged to maintenance expense as incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to $345 and $311 as of December 31, 2016 and 2015, respectively.

When units of property are replaced, retired or abandoned, the recorded value is credited to the asset account and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The cost of property, plant and equipment is depreciated using the straight-line average remaining life method. The Company's regulated utility subsidiaries record depreciation in conformity with amounts approved by state regulators after regulatory review of information the Company submits to support its estimates of the assets' remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Company for internal operations. This property is stated at cost, net of accumulated depreciation calculated using the straight-line method over the useful lives of the assets.

Cash and Cash Equivalents

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted Funds

Restricted funds primarily represent proceeds from financings for the construction and capital improvement of facilities and deposits for future services under O&M projects. The proceeds from these financings are held in escrow until the designated expenditures are incurred. Classification of restricted funds in the Consolidated Balance Sheets as either current or long-term is based upon the intended use of the funds.

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers on a cycle basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are market-based trade accounts receivable and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due and previous loss history. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 5—Allowance for Uncollectible Accounts.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized, but is tested for impairment at least annually or on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Goodwill is primarily associated with the acquisitions of E'town Corporation in 2001, American Water in 2003 and Keystone in 2015 (the "Acquisitions") and has been assigned to reporting units based on the fair values at the date of the Acquisitions. The reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The Market-Based Businesses is comprised of four non-reportable reporting units. The Company's annual impairment test is performed as of November 30 of each year, in conjunction with the completion of the Company's annual business plan. The Company assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If based on qualitative factors, the fair value of the reporting unit is more likely than not greater than the carrying amount, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment, but determines that it is more likely than not that its fair value is less than its carrying amount, a quantitative two-step, fair value-based test is performed.

The first step compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. If the estimated fair value of any reporting unit is less than such reporting unit's carrying value, then the second step is performed to measure the amount of the impairment loss (if any) for such reporting unit.

The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation accounting guidance in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount for the reporting unit, an impairment loss is recorded as a reduction to goodwill and a charge to operating expense. Application of the goodwill impairment test requires management judgment, including the identification of reporting units and determining the fair value of the reporting unit. Management estimates fair value using a combination of a discounted cash flow analysis and market multiples analysis. Significant assumptions used in these fair value analyses include discount and growth rates and projected terminal values.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate. However, if experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the consolidated financial statements.

Long-Lived Assets

Long-lived assets include land, buildings, equipment and long-term investments. Long-lived assets, other than investments and land, are depreciated over their estimated useful lives, and are reviewed for impairment whenever changes in circumstances indicate the carrying value of the asset may not be recoverable. Such circumstances would include items such as a significant decrease in the market value of a long-lived asset, a significant adverse change in the manner the asset is being used or planned to be used or in its physical condition, or a history of operating or cash flow losses associated with the use of the asset. In addition, changes in the expected useful life of these long-lived assets may also be an impairment indicator. When such events or changes occur, the Company estimates the fair value of the asset from future cash flows expected to result from the use and, if applicable, the eventual disposition of the asset and compares that to the carrying value of the asset. If the carrying value is greater than the fair value, an impairment loss is recorded.

The Company believes the assumptions and other considerations used to evaluate the carrying value of long-lived assets are appropriate. However, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the consolidated financial statements.

The key variables to determine fair value include assumptions regarding sales volume, rates, operating costs, labor and other benefit costs, capital additions, assumed discount rates and other economic factors. These variables require significant management judgment and include inherent uncertainties, since they are forecasting future events. If such assets are considered impaired, an impairment loss is recognized equal to the amount by which the asset’s carrying value exceeds its fair value.

The long-lived assets of the regulated utility subsidiaries are tested on a separate entity basis for impairment testing as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company holds other investments including investments in privately held companies and investments in joint ventures accounted for using the equity method. The Company’s investments in privately held companies and joint ventures are classified as other long-term assets in the accompanying Consolidated Balance Sheets.

The fair values of long-term investments are dependent on the financial performance and solvency of the entities in which the Company invests, as well as volatility inherent in the external markets. If such assets are considered impaired, an impairment loss is recognized equal to the amount by which the asset’s carrying value exceeds its fair value.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2016 and 2015 in the accompanying Consolidated Balance Sheets are estimated refunds of $21 and $19, respectively. Those amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $27, $26 and $24 for the years ended December 31, 2016, 2015 and 2014, respectively.

Recognition of Revenues

Revenues of the regulated utility subsidiaries are recognized as water and wastewater services are provided, and include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the meter reading associated with the latest customer bill to the end of the accounting period. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

The Company has agreements with the U.S. Department of Defense to operate and maintain water and wastewater systems at various military bases pursuant to 50-year contracts ("military agreements"). These contracts also include construction components that are accounted for separately from the O&M components. Nine of the military agreements are subject to periodic price redetermination adjustments and modifications for changes in circumstance. The remaining three agreements are subject to annual price adjustments under a mechanism similar to price redeterminations. Additionally, the Company has agreements ranging in length from two to 40 years with municipalities and businesses in various industries to operate and maintain water and wastewater systems ("O&M agreements"). Revenues from operations and management services are recognized as services are provided. See Note 15—Commitments and Contingencies.

Revenues from construction projects are recognized over the contract term based on the costs incurred to date during the period compared to the total estimated costs over the entire contract. Losses on contracts are recognized during the period in which the loss first becomes probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenue. Billings in excess of revenues recognized on construction contracts are recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined.

Income Taxes

American Water and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net in the accompanying Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other income (expenses) in the accompanying Consolidated Statements of Operations. AFUDC is summarized in the following table for the years ended December 31:

	2016	2015	2014
Allowance for other funds used during construction	$ 15	$ 13	$ 9
Allowance for borrowed funds used during construction	6	8	6

Environmental Costs

The Company's water and wastewater operations are subject to U.S. federal, state, local and foreign requirements relating to environmental protection, and as such, the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued, on an undiscounted basis, when it is probable that these costs will be incurred and can be reasonably estimated. The Company agreed to pay $1 annually commencing in 2010 with the final payment being made in 2016. Remediation costs accrued amounted to $0 and $1 as of December 31, 2016 and 2015, respectively. The accrual relates entirely to a conservation agreement entered into by a subsidiary of the Company with the National Oceanic and Atmospheric Administration ("NOAA") requiring the Company to, among other provisions, implement certain measures to protect the steelhead trout and its habitat in the Carmel River watershed in the State of California.

Derivative Financial Instruments

The Company uses derivative financial instruments for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company may designate the derivative as a hedge of the fair value of a recognized asset or liability (fair-value hedge) or a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

Changes in the fair value of a fair-value hedge, along with the gain or loss on the underlying hedged item, are recorded in current-period earnings. The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities in the accompanying Consolidated Statements of Cash Flows.

New Accounting Standards

The following recently issued accounting standards have been adopted by the Company as of December 31, 2016:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Accounting for Fees Paid in a Cloud Computing Arrangement	Clarified accounting guidance for fees paid in a cloud computing arrangement. Software license elements in a cloud computing arrangement should be accounted for consistent with other software licenses. A cloud computing arrangement without a software license is accounted for as a service contract.	January 1, 2016	Prospective basis	Adoption of this standard did not impact the Company's results of operations, financial position or cash flows.

The following recently issued accounting standards have not yet been adopted by the Company as of December 31, 2016:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Simplification of Employee Share-Based Payment Accounting	Simplified accounting and disclosure requirements for share-based payment awards. The updated guidance addresses: (i) the recognition of excess tax benefits and deficiencies; (ii) the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows; (iii) election of an accounting policy for forfeitures; and (iv) the amount an employer can withhold to cover income taxes and still qualify for equity classification. The new guidance requires all tax related cash flows resulting from share-based payments to be reported as cash provided by operating activities in the Consolidated Statements of Cash Flows.	January 1, 2017	Alternative transition methods available	The cumulative effect to retained earnings prior to 2017 will be an increase of approximately $21, with an offsetting decrease to deferred income taxes, net.
Revenue from Contracts with Customers	Updated authoritative guidance that changes the criteria for recognizing revenue from a contract with a customer. The new standard replaces existing guidance on revenue recognition, including most industry specific guidance. The objective of the updated standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows.	January 1, 2018; early adoption permitted	Retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance (modified retrospective method)	The Company is evaluating the impact on the consolidated financial statements and related disclosures, as well as the transition method to be used to adopt the guidance. The Company is also considering the impacts of the new standard on its accounting for contributions in aid of construction. The Company does not expect to early adopt.

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Classification of Certain Cash Receipts and Cash Payments on the Statement of Cash Flows	Provided guidance on the presentation and classification in the statement of cash flows for the following cash receipts and payments: (i) debt prepayment or debt extinguishment costs; (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (iii) contingent consideration payments made after a business combination; (iv) proceeds from the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (vi) distributions received from equity method investees; (vii) beneficial interests in securitization transactions; and (viii) separately identifiable cash flows and application of the predominance principle.	January 1, 2018; early adoption permitted	Retrospective	The Company does not anticipate significant impacts on its Statements of Cash Flows based on this standard update.
Presentation of Changes in Restricted Cash on the Statement of Cash Flows	Updated the accounting and disclosure guidance for the classification and presentation of changes in restricted cash on the statement of cash flows. The amended guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will now be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows	January 1, 2018; early adoption permitted	Retrospective	The Company does not anticipate significant impacts on its Statements of Cash Flows based on this standard update.
Clarifying the Definition of a Business	Updated the accounting guidance to clarify the definition of a business with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions, or disposals, of assets or businesses.	January 1, 2018; early adoption permitted	Prospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures.
Accounting for Leases	Updated the accounting and disclosure guidance for leasing arrangements. Under this guidance, a lessee will be required to recognize the following for all leases, excluding short-term leases, at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the guidance, lessor accounting is largely unchanged.	January 1, 2019; early adoption permitted	Modified retrospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures, as well as the timing of adoption.

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Simplification of Goodwill Impairment Testing	Updated authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in the update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying value exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	January 1, 2020; early adoption permitted for interim or annual goodwill impairment tests performed after January 1, 2017	Prospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures, as well as the timing of adoption.
Measurement of Credit Losses	Updated the accounting guidance on reporting credit losses for financial assets held at amortized cost basis and available-for-sale debt securities. Under this guidance, expected credit losses are required to be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. Also, this guidance requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down.	January 1, 2020; early adoption permitted	Modified retrospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the accompanying consolidated financial statements and notes to conform to the current presentation.

Note 3: Acquisitions and Divestitures

Acquisitions

During 2016, the Company closed on fifteen acquisitions, including the Scranton acquisition in December, of various regulated water and wastewater systems for a total aggregate purchase price of $199. Assets acquired, principally utility plant, totaled $194. Liabilities assumed totaled $30, including $14 of contributions in aid of construction, and assumed debt of $6. The Company recorded additional goodwill of $43 associated with five of its acquisitions, which is reported in its Regulated Businesses segment and is expected to be fully deductible for tax purposes. The preliminary purchase price allocation related to the Scranton acquisition will be finalized once the valuation of net assets acquired has been completed.

Also, our Regulated Businesses made a non-escrowed deposit of $5 related to the acquisition of the McKeesport, Pennsylvania's wastewater system which we expect to close in the second half of 2017.

During 2015, the Company closed on fourteen acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $64. Assets acquired, principally utility plant, totaled $90.

Liabilities assumed totaled $26, including $10 of contributions in aid of construction, and assumed debt of $1. The Company recorded additional goodwill of $3 associated with four of its acquisitions, which is reported in its Regulated Businesses segment and is expected to be fully deductible for tax purposes. The Company also recognized a bargain purchase gain of $3 associated with five of its acquisitions, of which $1 was deferred as a regulatory liability.

During 2015, the Company also closed on the Keystone acquisition, which is included as part of the Market-Based Businesses, for a total purchase price of $133, net of cash received. The fair value of identifiable assets acquired and liabilities assumed was $56 and $7, respectively, and principally included the acquisition of nonutility property of $25, accounts receivable and unbilled revenues of $18 and intangible assets of $12. The purchase price allocation, which is based on the estimated fair value of net assets acquired, resulted in the Company recording redeemable noncontrolling interest of $7 and additional goodwill of $91. Goodwill is expected to be fully deductible for tax purposes.

The pro forma impact of our acquisitions was not material to our consolidated results of operations for the years ended December 31, 2016 and 2015.

During 2014, the Company closed on thirteen acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $9. Assets acquired, principally plant, totaled $17. Liabilities assumed totaled $8, including $5 of contributions in aid of construction and assumed debt of $2.

Divestitures

In November 2014, the Company completed the sale of Terratec, previously included in the Market-Based Businesses. After post-close adjustments, net proceeds from the sale totaled $1, and the Company recorded a pretax loss on sale of $1.

The following table summarizes the operating results of discontinued operations presented in the accompanying Consolidated Statements of Operations for the year ended December 31, 2014:

Operating revenues	$ 13
Total operating expenses, net	19
Loss from discontinued operations before income taxes	(6)
Provision (benefit) for income taxes	1
Loss from discontinued operations, net of tax	$ (7)

The provision for income taxes of discontinued operations includes the recognition of tax expense related to the difference between the tax basis and book basis of assets upon the sales of Terratec that resulted in taxable gains, since an election was made under Section 338(h)(10) of the Internal Revenue Code to treat the sales as asset sales.

There were no assets or liabilities of discontinued operations in the accompanying Consolidated Balance Sheets as of December 31, 2016 and 2015.

Note 4: Property, Plant and Equipment

The following table summarizes the major classes of property, plant and equipment by category as of December 31:

	2016	2015	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 147	$ 141		
Sources of supply	734	705	2 to 127 Years	52 Years
Treatment and pumping facilities	3,218	3,070	3 to 101 Years	40 Years
Transmission and distribution facilities	9,043	8,516	9 to 156 Years	80 Years
Services, meters and fire hydrants	3,504	3,250	8 to 93 Years	37 Years
General structures and equipment	1,343	1,227	1 to 154 Years	43 Years
Waste treatment, pumping and disposal	457	313	2 to 115 Years	55 Years
Waste collection	637	473	5 to 109 Years	58 Years
Construction work in progress	419	404		
Total utility plant	19,502	18,099		
Nonutility property	452	405	3 to 50 years	6 Years
Total property, plant and equipment	$19,954	$18,504		

Property, plant and equipment depreciation expense amounted to $435, $405, and $392 for the years ended December 31, 2016, 2015 and 2014, respectively and was included in depreciation and amortization expense in the accompanying Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 3.14%, 3.13% and 3.20% for years December 31, 2016, 2015 and 2014, respectively.

Note 5: Allowance for Uncollectible Accounts

The following table summarizes the changes in the Company's allowances for uncollectible accounts for the years ended December 31:

	2016	2015	2014
Balance as of January 1	$ (39)	$ (35)	$ (34)
Amounts charged to expense	(27)	(32)	(37)
Amounts written off	29	31	38
Recoveries of amounts written off	(3)	(3)	(2)
Balance as of December 31	$ (40)	$ (39)	$ (35)

Note 6: Regulatory Assets and Liabilities

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. The majority of the regulatory assets earn a return. The following table summarizes the composition of regulatory assets as of December 31:

	2016	2015
Deferred pension expense	$ 310	$ 269
Income taxes recoverable through rates	241	236
Removal costs recoverable through rates	251	225
Deferred other postretirement benefit expense	14	90
San Clemente Dam project costs	91	95
Regulatory balancing accounts	110	88
Debt expense	66	68
Purchase premium recoverable through rates	58	60
Deferred tank painting costs	39	37
Other	109	103
Total Regulatory Assets	$ 1,289	$ 1,271

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $300 and $258 as of December 31, 2016 and 2015, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

The Company has recorded a regulatory asset for the additional revenues expected to be realized when the tax effects of temporary differences previously flowed through to customers, reverse. These temporary differences are primarily related to the difference between book and tax depreciation on property placed in service before the adoption by the regulatory authorities of full normalization for rate making purposes. Full normalization requires no flow through of tax benefits to customers. The regulatory asset for income taxes recoverable through rates is net of the reduction expected in future revenues as deferred taxes previously provided, attributable to the difference between the state and federal income tax rates under prior law and the current statutory rates, reverse over the average remaining service lives of the related assets.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

The Company's deferred other postretirement benefit expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $12 and $87 as of December 31, 2016 and 2015, respectively. The remaining portion is postretirement benefit expense in excess of the amount recovered in rates through 1997 has been deferred by certain subsidiaries. These costs are recognized in the rates charged for water service and will be recovered as authorized by the Company's regulatory authorities. The decrease in deferred other postretirement benefit expense is a result of the plan amendment to the postretirement benefit plan announced on July 31, 2016. See Note 14—Employee Benefits.

San Clemente Dam project costs represent costs incurred and deferred by the Company's California subsidiary pursuant to its efforts to investigate alternatives to strengthen or remove the dam due to potential earthquake and flood safety concerns. In June 2012, the California Public Utilities Commission ("CPUC") issued a decision authorizing implementation of a project to reroute the Carmel River and remove the San Clemente Dam. The project includes the Company's California subsidiary, the California State Conservancy and the

National Marine Fisheries Services. Under the order's terms, the CPUC has authorized recovery for pre-construction costs, interim dam safety measures and environmental costs and construction costs. The authorized costs are to be recovered via a surcharge over a twenty-year period which began in October 2012. The unrecovered balance of project costs incurred, including cost of capital, net of surcharges totaled $91 and $95 as of December 31, 2016 and 2015, respectively. Surcharges collected were $4 for December 31, 2016 and 2015.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt expense, are deferred and amortized to the extent they will be recovered through future service rates.

Purchase premium recoverable through rates is primarily the recovery of the acquisition premiums related to an asset acquisition by the Company's California Utility subsidiary during 2002, and acquisitions in 2007 by the Company's New Jersey Utility subsidiary. As authorized for recovery by the California and New Jersey PUCs, these costs are being amortized to depreciation and amortization in the Consolidated Statements of Operations through November 2048.

Tank painting costs are generally deferred and amortized to operations and maintenance expense in the Consolidated Statements of Operations on a straight-line basis over periods ranging from five to fifteen years, as authorized by the regulatory authorities in their determination of rates charged for service.

Other regulatory assets include certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate-making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. The following table summarizes the composition of regulatory liabilities as of December 31:

	2016	2015
Removal costs recovered through rates	$ 316	$ 311
Pension and other postretirement benefit balancing accounts	55	59
Other	32	32
Total Regulatory Liabilities	$ 403	$ 402

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful life that are recovered through customer rates over the life of the associated assets. In December 2008, the Company's utility subsidiary in New Jersey, at the direction of the New Jersey Board of Public Utilities, began to depreciate $48 of the total balance into depreciation and amortization expense in the Consolidated Statements of Operations via straight line amortization through November 2048.

Pension and other postretirement benefit balancing accounts represent the difference between costs incurred and costs authorized by the PUCs that are expected to be refunded to customers.

Other regulatory liabilities include legal settlement proceeds, deferred gains and various regulatory balancing accounts.

Note 7: Goodwill and Other Intangible Assets

Goodwill

The following table summarizes changes in the carrying amount of goodwill for the years ended December 31, 2016 and 2015:

	Regulated Businesses		Market-Based Businesses		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2015	$3,412	$ (2,332)	$236	$ (108)	$3,648	$ (2,440)	$1,208
Goodwill from acquisitions	3	—	91	—	94	—	94
Balance as of December 31, 2015	$3,415	$ (2,332)	$327	$ (108)	$3,742	$ (2,440)	$1,302
Goodwill from acquisitions	43	—	—	—	43	—	43
Balance as of December 31, 2016	$3,458	$ (2,332)	$327	$ (108)	$3,785	$ (2,440)	$1,345

In 2016, the Company acquired aggregate goodwill of $43 associated with six of its acquisitions in the Regulated Businesses segment.

In 2015, the Company recorded goodwill of $91 as part of the Keystone acquisition. The Keystone business is an operating segment comprised of one reporting unit to which all of the goodwill arising from the acquisition was assigned and which is included in the Market-Based Business information. The Company also acquired aggregate goodwill of $3 associated with four of its acquisitions in its Regulated Businesses segment.

Excluding goodwill acquired in 2015 related to the Keystone acquisition, the Company determined that no qualitative factors were present that would indicate the estimated fair values of its reporting units were less than the respective carrying values. As such, the Company determined that further quantitative testing was not necessary at November 30, 2016 or 2015.

A step one test was completed for the Keystone goodwill. We used an income approach valuation technique which estimates the discounted future cash flows of operations. The discounted cash flow analysis relies on a single scenario reflecting best estimate projected cash flows. Significant assumptions were used in estimating the fair value, including the discount rate, growth rate and terminal value. The estimated fair value of the Keystone reporting unit exceeded its carrying value, and as such the Company determined the goodwill is not impaired.

There can be no assurances that the Company will not be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to the performance of the Company's reporting units. These market events could include a decline over a period of time of the Company's stock price, a decline over a period of time in valuation multiples of comparable water utilities and reporting unit companies, the lack of an increase in the Company's market price consistent with its peer companies, decreases in control premiums or continued downward pressure on commodity prices. A decline in the forecasted results in our business plan, such as changes in rate case results or capital investment budgets or changes in our interest rates, could also result in an impairment charge. In regards to the Keystone goodwill, adverse developments in market conditions, including prolonged depression of natural gas prices or other factors that negatively impact our forecast operating results, cash flows or key assumptions in the future could result in an impairment charge of a portion or all of the goodwill balance.

Other Intangible Assets

Included in other long-term assets at December 31, 2016 and 2015, is a $10 and $12, respectively, customer relationship intangible resulting from the Keystone acquisition. This intangible is being amortized on a straight-line basis over a period of eight years.

Note 8: Stockholders' Equity

Common Stock

Under the dividend reinvestment and direct stock purchase plan (the "DRIP"), stockholders may reinvest cash dividends and purchase additional Company common stock, up to certain limits, through the plan administrator without commission fees. Shares purchased by participants through the DRIP may be newly-issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2016, there were approximately 4.4 shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allowed the Company to purchase up to 10 shares of its outstanding common stock over an unrestricted period of time. The Company repurchased 1.0 shares and 2.3 shares of common stock in the open market at an aggregate cost of $65 and $126 under this program for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, there were 6.8 shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2016 and 2015:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Foreign Currency Translation	Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2015	$ (116)	$ 1	$ 31	$ 3	$ (1)	$ (82)
Other comprehensive loss before reclassification	(10)	—	—	(1)	—	(11)
Amounts reclassified from accumulated other comprehensive income	—	—	5	—	—	5
Net other comprehensive income (loss)	(10)	—	5	(1)	—	(6)
Ending balance as of December 31, 2015	$ (126)	$ 1	$ 36	$ 2	$ (1)	$ (88)
Other comprehensive gain (loss) before reclassification	(21)	—	—	—	17	(4)
Amounts reclassified from accumulated other comprehensive income	—	—	6	—	—	6
Net other comprehensive income (loss)	(21)	—	6	—	17	2
Ending balance as of December 31, 2016	$ (147)	$ 1	$ 42	$ 2	$ 16	$ (86)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been capitalized as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 14—Employee Benefits.

The amortization of the loss on cash flow hedge is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Note 9: Stock Based Compensation

The Company has granted stock options and restricted stock unit ("RSUs") awards to non-employee directors, officers and other key employees of the Company pursuant to the terms of its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The total aggregate number of shares of common stock that may be issued under the 2007 Plan is 15.5. As of December 31, 2016, 7.9 shares were available for grant under the 2007 Plan. Shares issued under the 2007 Plan may be authorized but unissued shares of Company stock or treasury shares, including shares purchased by the Company on the open market.

The cost of services received from employees in exchange for the issuance of stock options and restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock options and RSUs awards at the date of the grant is amortized through expense over the three-year service period. All awards granted in 2016, 2015 and 2014 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. The following table presents stock-based compensation expense recorded in operation and maintenance expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2016	2015	2014
Stock options	$ 2	$ 2	$ 2
RSUs	8	8	10
ESPP	1	1	1
Stock-based compensation	11	11	13
Income tax benefit	(4)	(4)	(5)
Stock-based compensation expense, net of tax	$ 7	$ 7	$ 8

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2016, 2015 and 2014.

The Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for RSUs. For each award, throughout the requisite service period, the Company recognizes the tax benefits, which have been included in deferred income tax assets, related to compensation costs. The tax deductions in excess of the benefits recorded throughout the requisite service period are recorded to common stockholders' equity or the statement of operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Options

In 2016, 2015 and 2014, the Company granted non-qualified stock options to certain employees under the 2007 Plan. The stock options vest ratably over the three-year service period beginning on January 1 of the year of the grant and have no performance vesting conditions. Expense is recognized using the straight-line method and is amortized over the requisite service period.

The following table summarizes the weighted-average assumptions used in the Black-Scholes option-pricing model for grants and the resulting weighted-average grant date fair value per share of stock options granted for the years ended December 31:

	2016	2015	2014
Dividend yield	2.09%	2.35%	2.55%
Expected volatility	15.89%	17.64%	17.75%
Risk-free interest rate	1.15%	1.48%	1.06%
Expected life (years)	4.0	4.4	3.6
Exercise price	$ 65.25	$ 52.75	$ 44.29
Grant date fair value per share	$ 6.61	$ 6.21	$ 4.57

The Company used the actual historical experience of exercises or expirations of the 2009 grant to determine the expected stock option life. The Company began granting stock options at the time of its initial public offering in April 2008. Expected volatility is based on a weighted average of historic volatilities of traded common stock of peer companies (regulated water companies) over the expected term of the stock options and historic volatilities of the Company's common stock during the period it has been publicly traded. The dividend yield is based on the Company's expected dividend payments and the stock price on the date of grant. The risk-free interest rate is the market yield on U.S. Treasury strips with maturities similar to the expected term of the stock options. The exercise price of the stock options is equal to the fair market value of the underlying stock on the date of option grant. Stock options vest over periods ranging from one to three years and have a maximum term of seven years from the effective date of the grant.

The table below summarizes stock option activity for the year ended December 31, 2016:

	Shares (in thousands)	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Life (years)	Aggregate Intrinsic Value
Options outstanding as of December 31, 2015	1,187	$ 39.70	3.9	$ 24
Granted	341	65.26		
Forfeited or expired	(74)	56.25		
Exercised	(467)	32.64		
Options outstanding as of December 31, 2016	987	$ 50.65	4.3	$ 21
Exercisable as of December 31, 2016	450	$ 41.22	2.9	$ 14

As of December 31, 2016, $2 of total unrecognized compensation cost related to nonvested stock options is expected to be recognized over the remaining weighted-average period of 1.7 years. The total fair value of stock options vested was $1 for the year ended December 31, 2016 and $3 for the years ended December 31, 2015 and 2014.

The following table summarizes additional information regarding stock options exercised during the years ended December 31:

	2016	2015	2014
Intrinsic value	$ 18	$ 22	$ 13
Exercise proceeds	15	30	15
Income tax benefit realized	6	7	4

RSUs

During 2016, 2015 and 2014, the Company granted RSUs, both with and without performance conditions, to certain employees under the 2007 Plan. RSUs generally vest over periods ranging from one to three years.

During 2016, 2015 and 2014, the Company granted RSUs to non-employee directors under the 2007 Plan. The RSUs vested on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of: (i) 15 months after grant date, subject to any deferral election by the director; or (ii) the participant's separation from service. Because these RSUs vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense included in the expense table above on the grant date.

The RSUs without performance conditions are valued at the market value of the closing price of the Company's common stock on the date of the grant and vest ratably over the three-year service period beginning January 1 of the year of the grant. These RSUs are amortized through expense over the requisite service period using the straight-line method.

The table below summarizes activity of RSUs without performance conditions for the year ended December 31, 2016:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2015	81	$ 48.71
Granted	47	67.71
Vested	(45)	54.06
Forfeited	(9)	57.99
Non-vested total as of December 31, 2016	74	$ 56.43

RSUs with performance conditions vest ratably over the three-year performance period beginning January 1 of the year of the grant (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of internal performance measures and, separately, certain market thresholds over the Performance Period.

RSUs granted with internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. RSUs granted with market conditions are valued using a Monte Carlo model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. The following table presents the weighted-average assumptions used in the Monte Carlo simulation and the weighted-average grant date fair values of RSUs granted for the years ended December 31:

	2016	2015	2014
Expected volatility	15.90%	14.93%	17.78%
Risk-free interest rate	0.91%	1.07%	0.75%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$ 77.16	$ 62.10	$ 45.45

The grant date fair value of restricted stock awards that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

The table below summarizes activity of RSUs with performance conditions for the year ended December 31, 2016:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2015	366	$ 45.91
Granted (a)	173	57.47
Vested	(206)	40.01
Forfeited	(24)	49.89
Non-vested total as of December 31, 2016	309	$ 55.94

(a) During 2014, the Company granted selected employees an aggregate of 128 thousand RSUs with internal performance measures and, separately, certain market thresholds. These awards vested in January 2016. The terms of the grants specified that to the extent certain performance goals, comprised of internal measures and, separately, market thresholds were achieved, the RSUs would vest; if performance goals were surpassed, up to 175% of the target awards would be distributed; and if performance goals were not met, the awards would be forfeited. In January 2016, an additional 74 thousand RSUs were granted and distributed because performance thresholds were exceeded and were included in the number of shares granted.

As of December 31, 2016, $4 of total unrecognized compensation cost related to the nonvested restricted stock units, with and without performance conditions, is expected to be recognized over the weighted-average remaining life of 1.4 years. The total fair value of RSUs, with and without performance conditions, vested was $14, $12 and $11 for the years ended December 31, 2016, 2015 and 2014, respectively.

If dividends are paid with respect to shares of the Company's common stock before the RSUs are distributed, the Company credits a liability for the value of the dividends that would have been paid if the RSUs were shares of Company common stock. When the RSUs are distributed, the Company pays the participant a lump sum cash payment equal to the value of the dividend equivalents accrued. The Company accrued dividend equivalents totaling $1 to accumulated deficit in the accompanying Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014, respectively.

Employee Stock Purchase Plan

Under the Nonqualified Employee Stock Purchase Plan ("ESPP"), employees can use payroll deductions to acquire Company stock at the lesser of 90% of the fair market value of common stock at either the beginning or the end of a three-month purchase period. As of December 31, 2016, there were 1.1 shares of common stock reserved for issuance under the ESPP. The Company's ESPP is considered compensatory. During the years ended December 31, 2016, 2015 and 2014, the Company issued 93, 98 and 102 thousand shares, respectively, under the ESPP.

Note 10: Long-Term Debt

The Company obtains long-term debt primarily to fund capital expenditures of the regulated subsidiaries and refinance debt of the parent company. The following table summarizes the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2016	2015
Long-term debt of American Water Capital Corp. (a)					
Senior notes—fixed rate	3.00%-8.27%	5.04%	2017-2046	$ 4,786	$ 4,273
Private activity bonds and government funded debt—fixed rate	1.79%-6.25%	5.42%	2021-2040	194	195
Long-term debt of other American Water subsidiaries					
Private activity bonds and government funded debt—fixed rate (b)	0.00%-6.20%	4.72%	2017-2041	695	790
Mortgage bonds—fixed rate	4.29%-9.71%	7.41%	2017-2039	636	637
Mandatorily redeemable preferred stock	8.47%-9.75%	8.61%	2019-2036	12	13
Capital lease obligations	12.23%-12.44%	12.39%	2026	1	1
				6,324	5,909
Unamortized debt premium, net (c)				17	23
Unamortized debt issuance costs				(9)	(7)
Interest rate swap fair value adjustment				1	3
Less current portion of long-term debt				(574)	(54)
Total long-term debt				$ 5,759	$ 5,874

(a) This indebtedness is considered "debt" for purposes of a support agreement between American Water and American Water Capital Corp. ("AWCC"), American Water's wholly owned finance subsidiary, which serves as a functional equivalent of a guarantee by American Water of AWCC's payment obligations under such indebtedness.

(b) Includes $6 and $8 of variable rate debt with variable-to-fixed interest rate swaps ranging between 3.93% and 4.65%, as of December 31, 2016 and 2015. This debt was assumed via an acquisition in 2013.

(c) Primarily fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and $619 of the private activity bonds and government funded debt held by the subsidiaries were collateralized by utility plant as of December 31, 2016.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, the Company from issuing debt secured by the Company's assets. Certain long term notes require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2016 was 0.58 to 1.00. In addition, the Company has $891 of notes which include the right to redeem the notes at par in whole or in part from time to time subject to certain restrictions.

The future sinking fund payments and debt maturities were as follows:

Year	Amount
2017	$ 574
2018	457
2019	166
2020	22
2021	479
Thereafter	4,626

The following long-term debt was issued in 2016:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Senior notes—fixed rate	3.00%-4.00%	2026-2046	$ 550
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	1.00%-1.36%	2026-2037	3
Total issuances				$ 553

The Company also assumed debt of $6 as a result of an acquisition during 2016, which has a fixed interest rate of 1.00% and matures in 2037. The Company incurred debt issuance costs of $5 related to the above issuances.

The following long-term debt was retired through optional redemption or payment at maturity during 2016:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Senior notes—fixed rate	5.52%	2016	$ 37
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.30%	2016-2041	104
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Total retirements and redemptions				$ 144

Interest, net includes interest income of approximately $14, $13 and $11 in 2016, 2015 and 2014, respectively.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as swaps. The Company reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, credit-worthy financial institutions having long-term credit ratings of "A" or better.

The Company has four forward starting swap agreements with an aggregate notional amount of $300 to reduce interest rate exposure on debt expected to be issued in 2017. The forward starting swap agreements terminate in December 2017 and have an average fixed rate of 2.20%. The Company has designated the forward starting swap agreements as cash flow hedges and the initial fair value, in addition to any subsequent changes in fair value, are recognized in accumulated other comprehensive gain. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the issued debt. On February 8, 2017, the Company entered into a forward starting swap agreement with a notional amount of $100 to reduce interest rate exposure on debt expected to be issued in 2018. This forward starting swap agreement terminates in December 2018 and has an average fixed rate of 2.67%. The forward starting swap agreement is a cash flow hedge and the Company will account for this forward starting swap agreement in the same manner as the aforementioned forward starting swap agreements above.

The Company has an interest-rate swap to hedge $100 of its 6.085% fixed-rate debt maturing 2017. The Company pays variable interest of six-month LIBOR plus 3.422% and the interest rate swap matures with the fixed-rate debt in 2017. The Company has designated the interest rate swap as a fair value hedge accounted for at fair value with gains or losses, as well as the offsetting gains or losses on the hedged item, recognized in interest, net. The net loss recognized by the Company was de minimis for the periods ended December 31, 2016 and 2015.

The Company has employed interest rate swaps to fix the interest cost on a portion of its variable-rate debt with an aggregate notional amount of $6. The Company has designated these instruments as economic hedges accounted for at fair value with gains or losses recognized in interest, net. The gain recognized by the Company was de minimis for the years ended 2016 and 2015.

The following table provides a summary of the gross fair value for the Company's derivative asset and liabilities, as well as the location of the asset and liability balances in the Consolidated Balance Sheets

Derivative Instruments	Derivative Designation	Balance Sheet Classification	December 31, 2016	December 31, 2015
Asset Derivative				
Interest rate swap	Fair value hedge	Other long-term assets	$ —	$ 2
Interest rate swap	Fair value hedge	Other current assets	1	—
Forward starting swaps . . .	Cash flow hedge	Other current assets	27	—
Liability Derivative				
Interest rate swap	Fair value hedge	Long-term debt	$ —	$ 2
Interest rate swap	Fair value hedge	Current portion of long-term debt	1	—
Interest rate swap	Economic hedge (non-designated)	Other long-term liabilities	—	1

Note 11: Short-Term Debt

Short-term debt consists of commercial paper and credit facility borrowings totaling $849 and $628 as of December 31, 2016 and 2015, respectively. As of December 31, 2016 there were no borrowings outstanding with maturities greater than three months.

AWCC has a revolving credit facility with $1,750 in aggregate total commitments from a diversified group of financial institutions with a termination date of June 2020. On March 22, 2016, AWCC and its lenders agreed to increase total commitments under AWCC's revolving credit facility to the $1,750 from $1,250. Other terms and conditions of the existing facility remained unchanged. The agreement also includes a $150 sublimit for letters of credit and a $100 sublimit for swing loans. The Company incurred $1 of issuance costs in connection with the increased lending commitments for the year ended December 31, 2016. On June 30, 2015, AWCC and its lenders extended the termination date of revolving credit facility from October 2018 to June 2020. This amended and restated agreement also allowed AWCC to request to further extend the term of the credit facility for up to two one-year periods. As a result of the amendments made in 2015, the Company incurred $2 of issuance costs for the year ended December 31, 2015. Both the issuance costs incurred in 2016 and 2015 will be amortized over the remaining life of the credit facility and is included in interest, net in the accompanying Consolidated Statements of Operations. Interest on borrowings are based on a LIBOR-based rate, plus an applicable margin.

Also, the Company acquired a line of credit facility as part of the Keystone acquisition. This facility has a maximum availability of up to $16, dependent on a collateral base calculation. Based on the collateral assets at December 31, 2016, $6 was available to borrow. At December 31, 2016, there were no outstanding borrowings on this line of credit facility. Borrowings under the facility are due upon demand with interest being paid

monthly. Interest accrues each day at a rate per annum equal to 2.75% above the greater of the one month or one day LIBOR. The borrowing base under the facility allows for financing up to the greater of the note or 80% of eligible accounts receivable.

The following table summarizes the Company's aggregate credit facility commitments, letter of credit sub-limit under our revolving credit facility and commercial paper limit, as well as the available capacity for each as of:

	Credit Facility Commitment	Available Credit Facility Capacity	Letter of Credit Sublimit (a)	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
			(In millions)			
December 31, 2016	$ 1,766	$ 1,668	$ 150	$ 62	$ 1,600	$ 751
December 31, 2015	1,266	1,182	150	68	1,000	374

(a) Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. The Company had $88 and $82 of outstanding letters of credit as of December 31, 2016 and 2015, respectively, all of which were issued under the revolving credit facility noted above.

The following table summarizes the short-term borrowing activity for AWCC for the years ended December 31:

	2016	2015
Average borrowings	$ 850	$ 553
Maximum borrowings outstanding	1,016	871
Weighted average interest rates, computed on daily basis	0.78%	0.49%
Weighted average interest rates, as of December 31	0.98%	0.66%

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2016 was 0.58 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under the Company's credit facility.

As part of the normal course of business, the Company routinely enters contracts for the purchase and sale of water, energy, fuels and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance. Depending on the Company's net position with the counterparty, the demand could be for the posting of collateral. In the absence of expressly agreed provisions that specify the collateral that must be provided, the obligation to supply the collateral requested will be a function of the facts and circumstances of the Company's situation at the time of the demand. If the Company can reasonably claim that it is willing and financially able to perform its obligations, it may be possible that no collateral would need to be posted or that only an amount equal to two or three months of future payments should be sufficient. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Note 12: General Taxes

The following table summarizes the components of general tax expense from continuing operations for the years ended December 31:

	2016	2015	2014
Gross receipts and franchise	$ 106	$ 99	$ 96
Property and capital stock	106	98	96
Payroll	32	31	31
Other general	14	15	13
Total general taxes	$ 258	$ 243	$ 236

Note 13: Income Taxes

The following table summarizes the components of income tax expense from continuing operations for the years ended December 31:

	2016	2015	2014
Current income taxes			
State	$ 20	$ 10	$ 11
Federal	1	—	15
Total current income taxes	$ 21	$ 10	$ 26
Deferred income taxes			
State	$ 24	$ 32	$ 31
Federal	258	265	224
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	281	296	254
Provision for income taxes	$ 302	$ 306	$ 280

The following is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2016	2015	2014
Income tax at statutory rate	35.0%	35.0%	35.0%
Increases (decreases) resulting from:			
State taxes, net of federal taxes	3.8	3.6	3.8
Federal regulatory effects	0.2	0.4	0.3
Other, net	0.2	0.1	0.3
Effective tax rate	39.2%	39.1%	39.4%

The following table provides the components of the net deferred tax liability from continuing operations as of December 31:

	2016	2015
Deferred tax assets		
Advances and contributions	$ 540	$ 513
Tax losses and credits	301	173
Pension and other postretirement benefits	173	181
Other	90	32
Total deferred tax assets	1,104	899
Valuation allowance	(6)	(8)
Total deferred tax assets, net of allowance	$ 1,098	$ 891
Deferred tax liabilities		
Property, plant and equipment	$ 3,339	$ 2,913
Deferred pension and other postretirement benefits	126	139
Other	229	149
Total deferred tax liabilities	3,694	3,201
Total deferred tax liabilities, net of deferred tax assets	$ (2,596)	$ (2,310)

As of December 31, 2016 and 2015, the Company recognized federal net operating loss ("NOL") carryforwards of $1,227 and $1,080, respectively. The 2016 NOL carryforward includes $56 of windfall tax deductions the benefit of which will not be recorded to equity until realized. The Company believes the federal NOL carryforwards are more likely than not to be recovered and require no valuation allowance. The Company's federal NOL carryforwards will begin to expire in 2028.

As of December 31, 2016 and 2015, the Company had state NOLs of $625 and $534, respectively, a portion of which are offset by a valuation allowance because the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards will begin to expire in 2017 through 2036.

As of December 31, 2016 and 2015, the Company had an insignificant amount of Canadian NOL carryforwards and capital loss carryforwards for federal income tax purposes.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2012. The Company has state income tax examinations in progress and does not expect material adjustments to result.

The Patient Protection and Affordable Care Act (the "PPACA") became law on March 23, 2010, and the Health Care and Education Reconciliation Act of 2010 became law on March 30, 2010, which makes various amendments to certain aspects of the PPACA (together, the "Acts"). The PPACA effectively changes the tax treatment of federal subsidies paid to sponsors of retiree health benefit plans that provide a benefit that is at least actuarially equivalent to the benefits under Medicare Part D. The Acts effectively make the subsidy payments taxable in tax years beginning after December 31, 2012 and as a result, the Company followed its original accounting for the underfunded status of the other postretirement benefits for the Medicare Part D adjustment and recorded a reduction in deferred tax assets and an increase in its regulatory assets amounting to $6 as of December 31, 2016 and 2015.

In connection with the filing of the Company's consolidated 2015 tax return in September 2015, the Company deducted bonus depreciation, of which approximately $106 of deferred tax liabilities is related to the Regulated Businesses segment.

The following table summarizes the changes in the Company's gross liability, excluding interest and penalties, for unrecognized tax benefits:

Balance as of January 1, 2015	$195
Increases in current period tax positions	39
Decreases in prior period measurement of tax positions	(1)
Balance as of December 31, 2015	$233
Increases in current period tax positions	10
Decreases in prior period measurement of tax positions	(74)
Balance as of December 31, 2016	$169

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The gross liability was significantly reduced as a result of the accounting method change filed with Company's 2015 tax return during the current year. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. If the Company sustains all of its positions as of December 31, 2016 and 2015, an unrecognized tax benefit of $9, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an insignificant amount of interest and penalties related to its tax positions as of December 31, 2016 and 2015.

The following table summarizes the changes in the Company's valuation allowance:

Balance as of January 1, 2014	$13
Decreases in current period tax positions	(3)
Balance as of December 31, 2014	$10
Decreases in current period tax positions	(2)
Balance as of December 31, 2015	$ 8
Decreases in current period tax positions	(2)
Balance as of December 31, 2016	$ 6

Note 14: Employee Benefits

Pension and Other Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. The Company does not participate in a multiemployer plan.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional contributions if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006. The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension plan assets are invested in a number of actively managed and commingled funds including equities, fixed income securities, guaranteed interest contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 6—Regulatory Assets and Liabilities.

The Company also has unfunded noncontributory supplemental non-qualified pension plans that provide additional retirement benefits to certain employees.

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002.

The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed and commingled funds including equities and fixed income securities.

The obligations of the pension and postretirement benefit plans are dominated by obligations for active employees. Because the timing of expected benefit payments is so far in the future, the investment strategy is to allocate a significant percentage of assets to equities, which the Company believes will provide the highest return over the long-term period. The fixed income assets are invested in intermediate and long duration debt securities and may be invested in fixed income instruments, such as futures and options, in order to better match the duration of the plan liability.

The Company periodically conducts asset liability studies to ensure the investment strategies are aligned with the profile of the plans' obligations.

None of the Company's securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets.

The investment policy guidelines of the pension plan require that the fixed income portfolio has an overall weighted-average credit rating of A or better by Standard & Poor's.

The investment policies' objectives are focused on reducing the volatility of the plans' funding status over a long term horizon.

The fair values and asset allocations of pension plan assets as of December 31, 2016 and 2015, respectively, by asset category were as follows:

Asset Category	Target Allocation 2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2016
Cash	—	$ 10	$ 10	$ —	$ —	—
Equity Securities:						
U.S. large cap	24%	316	316	—	—	22%
U.S. small cap	8%	134	134	—	—	9%
International	20%	259	—	259	—	18%
Fixed Income Securities:	40%					42%
U.S. Treasury securities and government bonds	—	150	114	36	—	—
Corporate bonds	—	391	—	391	—	—
Mortgage-backed securities	—	3	—	3	—	—
Long duration bond fund	—	7	7	—	—	—
Guarantee annuity contracts	—	48	—	9	39	—
Real Estate Fund	6%	101	—	—	101	7%
REITs	2%	24	—	24	—	2%
Total	100%	$1,443	$ 581	$ 722	$ 140	100%

Asset Category	Target Allocation 2016	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2015
Cash	—	$ 5	$ 5	$ —	$ —	—
Equity Securities:						
U.S. large cap	24%	318	318	—	—	23%
U.S. small cap	8%	115	115	—	—	8%
International	20%	260	—	260	—	19%
Fixed Income Securities:	40%					41%
U.S. Treasury and government bonds	—	120	95	25	—	—
Corporate bonds	—	375	—	375	—	—
Mortgage-backed securities	—	9	—	9	—	—
Long duration bond fund	—	7	7	—	—	—
Guarantee annuity contracts	—	49	—	8	41	—
Real Estate	6%	95	—	—	95	7%
REITs	2%	23	—	23	—	2%
Total	100%	$1,376	$ 540	$ 700	$ 136	100%

The following tables present a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2016 and 2015, respectively:

	Level 3
Balance as of January 1, 2016	$ 136
Actual return on assets	8
Purchases, issuances and settlements, net	(4)
Balance as of December 31, 2016	$ 140

	Level 3
Balance as of January 1, 2015	$ 127
Actual return on assets	12
Purchases, issuances and settlements, net	(3)
Balance as of December 31, 2015	$ 136

The Company's other postretirement benefit plans are partially funded and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and the risk tolerance of the Company. The Company periodically updates the long-term, strategic asset allocations and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity characteristics, funding requirements, expected rates of return and the distribution of returns.

In June 2012, the Company implemented a de-risking strategy for the medical bargaining trust within the plan to minimize volatility. As part of the de-risking strategy, the Company revised the asset allocations to increase the matching characteristics of assets relative to liabilities. The initial de-risking asset allocation for the plan was 60% return-generating assets and 40% liability-driven assets. The investment strategies and policies for the plan reflect a balance of liability driven and return-generating considerations. The objective of minimizing the volatility of assets relative to liabilities is addressed primarily through asset—liability matching, asset diversification and hedging. The fixed income target asset allocation matches the bond-like and long-dated nature of the postretirement liabilities. Assets are broadly diversified within asset classes to achieve risk-adjusted returns that in total lower asset volatility relative to the liabilities. The Company assesses the investment strategy regularly to ensure actual allocations are in line with target allocations as appropriate. Strategies to address the goal of ensuring sufficient assets to pay benefits include target allocations to a broad array of asset classes and, within asset classes strategies are employed to provide adequate returns, diversification and liquidity.

The assets of the Company's other trusts, within the other postretirement benefit plans, have been primarily invested in equities and fixed income funds. The assets under the various other postretirement benefit trusts are invested differently based on the assets and liabilities of each trust. The obligations of the other postretirement benefit plans are dominated by obligations for the medical bargaining trust. Thirty-nine percent and four percent of the total postretirement plan benefit obligations are related to the medical non-bargaining and life insurance trusts, respectively. Because expected benefit payments related to the benefit obligations are so far into the future, and the size of the medical non-bargaining and life insurance trusts' obligations are large compared to each trusts' assets, the investment strategy is to allocate a significant portion of the assets' investment to equities, which the Company believes will provide the highest long-term return and improve the funding ratio.

The Company engages third party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g. fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocation, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary.

The fair values and asset allocations of postretirement benefit plan assets as of December 31, 2016 and 2015, respectively, by asset category, were as follows:

Asset Category	Target Allocation 2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2016
Bargain VEBA:						
Equity Securities:						
U.S. large cap	9%	$ 35	$ 35	$ —	$ —	9%
International	11%	40	40	—	—	10%
Fixed Income Securities:	80%					81%
U.S. Treasury securities and government bonds	—	84	84	—	—	—
Corporate bonds	—	223	—	223	—	—
Long duration bond fund	—	3	3	—	—	—
Future and option contracts (a)	—	1	1	—	—	—
Total Bargain VEBA	100%	$ 386	$ 163	$ 223	$ —	100%
Non-bargain VEBA:						
Cash	—	$ 2	$ 2	$ —	$ —	—
Equity Securities:						
U.S. large cap	21%	29	29	—	—	22%
U.S. small cap	21%	30	30	—	—	22%
International	28%	37	37	—	—	27%
Fixed Income Securities:	30%					29%
Core fixed income bond fund	—	36	36	—	—	—
Total Non-bargain VEBA	100%	$ 134	$ 134	$ —	$ —	100%
Life VEBA:						
Equity Securities:						
U.S. large cap	70%	$ 3	$ 3	$ —	$ —	64%
Fixed Income Securities:	30%					36%
Core fixed income bond fund	—	2	2	—	—	—
Total Life VEBA	100%	$ 5	$ 5	$ —	$ —	100%
Total	100%	$ 525	$ 302	$ 223	$ —	100%

(a) Includes cash for margin requirements.

Asset Category	Target Allocation 2016	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2015
Bargain VEBA:						
Equity Securities:						
U.S. large cap	9%	$ 32	$ 32	$ —	$ —	9%
International	11%	38	38	—	—	10%
Fixed Income Securities:	80%					81%
U.S. Treasury and government bonds	—	118	118	—	—	—
Corporate bonds	—	184	—	184	—	—
Long duration bond fund	—	3	3	—	—	—
Future and option contracts (a)	—	1	1	—	—	—
Total Bargain VEBA	100%	$ 376	$ 192	$ 184	$ —	100%
Non-bargain VEBA:						
Cash	—	$ 2	$ 2	$ —	$ —	—
Equity Securities:						
U.S. large cap	21%	24	24	—	—	21%
U.S. small cap	21%	26	26	—	—	22%
International	28%	33	33	—	—	28%
Fixed Income Securities:	30%					29%
Core fixed income bond fund	—	33	33	—	—	—
Total Non-bargain VEBA	100%	$ 118	$ 118	$ —	$ —	100%
Life VEBA:						
Equity Securities:						
U.S. large cap	70%	$ 4	$ 4	$ —	$ —	68%
Fixed Income Securities:	30%					32%
Core fixed income bond fund	—	2	2	—	—	—
Total Life VEBA	100%	$ 6	$ 6	$ —	$ —	100%
Total	100%	$ 500	$ 316	$ 184	$ —	100%

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Equity securities are valued based on quoted prices in active markets and categorized as Level 1. Certain equities, such as international securities held in the pension plan are invested in commingled funds. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since net

asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets that the Company can corroborate. The fair values of corporate bonds, mortgage backed securities, certain government bonds and a guaranteed annuity contract are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, and have been categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Certain other guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. The fund administrator values the fund using the net asset value per fund share, derived from the quoted prices in active markets of the underlying securities. Since these valuation inputs are not highly observable, these contracts have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in daily variation margins that are settled daily. Exchange-traded options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is valued using the net asset value based on valuation models of underlying securities which generally include significant unobservable inputs that cannot be corroborated using verifiable observable market data. Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

The following table provides a rollforward of the changes in the benefit obligation and plan assets for the most recent two years for all plans combined:

	Pension Benefits		Other Benefits	
	2016	2015	2016	2015
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 1,720	$ 1,746	$ 667	$ 703
Service cost	32	37	12	14
Interest cost	80	74	28	30
Plan participants' contributions	—	—	2	2
Plan amendments	—	—	(156)	—
Actuarial (gain) loss	100	(76)	82	(58)
Settlements	(3)	—	—	—
Gross benefits paid	(65)	(61)	(26)	(26)
Federal subsidy	—	—	1	2
Benefit obligation as of December 31,	$ 1,864	$ 1,720	$ 610	$ 667
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,376	$ 1,428	$ 500	$ 512
Actual return on plan assets	99	(21)	32	(15)
Employer contributions	36	30	17	27
Plan participants' contributions	—	—	2	2
Settlements	(3)	—	—	—
Benefits paid	(65)	(61)	(26)	(26)
Fair value of plan assets as of December 31,	$ 1,443	$ 1,376	$ 525	$ 500
Funded status as of December 31,	$ (421)	$ (344)	$ (85)	$ (167)
Amounts recognized in the balance sheet consist of:				
Noncurrent asset	$ —	$ —	$ 2	$ 2
Current liability	(2)	(2)	—	—
Noncurrent liability	(419)	(342)	(87)	(169)
Net amount recognized	$ (421)	$ (344)	$ (85)	$ (167)

On July 31, 2016, the other postretirement benefit plan was remeasured to reflect an announced plan amendment, which capped benefits for certain non-union plan participants. The remeasurement included a $156 reduction in future benefits payable to plan participants, and resulted in a $89 reduction to the net accrued postretirement benefit obligation. The plan amendment will be amortized over 10.2 years, the average future working lifetime to full eligibility age for all plan participants.

The following table provides the components of the Company's accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2016	2015	2016	2015
Net actuarial loss	$ 466	$ 397	$ 170	$ 97
Prior service cost (credit)	2	3	(158)	(10)
Net amount recognized	$ 468	$ 400	$ 12	$ 87
Regulatory assets	$ 300	$ 258	$ 12	$ 87
Accumulated other comprehensive income	168	142	—	—
Total	$ 468	$ 400	$ 12	$ 87

As of December 31, 2016 and 2015, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected obligation in excess of plan assets were as follows:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2016	2015
Projected benefit obligation	$ 1,864	$ 1,721
Fair value of plan assets	1,443	1,376

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2016	2015
Accumulated benefit obligation	$ 1,722	$ 1,584
Fair value of plan assets	1,443	1,376

The accumulated postretirement benefit obligation exceeds plan assets for all of the Company's other postretirement benefit plans.

In August 2006, the Pension Protection Act ("PPA") was signed into law in the U.S. The PPA replaces the funding requirements for defined benefit pension plans by requiring that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The PPA was effective for the 2008 plan year with short-term phase-in provisions for both the funding target and at-risk determination. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to the greater of the minimum required contributions or the normal cost in 2017 to the qualified pension plans. The Company plans to contribute to its 2017 other postretirement benefit cost for rate-making purposes.

Information about the expected cash flows for the pension and postretirement benefit plans is as follows:

	Pension Benefits	Other Benefits
2017 expected employer contributions		
To plan trusts	$ 40	$ 6
To plan participants	2	—

The Company made 2017 contributions to fund pension benefits and other benefits of $10 and $1, respectively, through February 2017.

The following table reflects the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2017	$ 71	$ 29	$ 2
2018	76	31	2
2019	82	33	2
2020	89	34	2
2021	94	35	2
2022-2026	551	194	12

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

The significant assumptions related to the Company's pension and other postretirement benefit plans were as follows:

	Pension Benefits			Other Benefits		
	2016	2015	2014	2016	2015	2014
Weighted-average assumptions used to determine December 31 benefit obligations						
Discount rate	4.28%	4.66%	4.24%	4.26%	4.67%	4.24%
Rate of compensation increase	3.07%	3.10%	3.12%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 7.00% in 2016 to 5.00% in 2021+	graded from 6.50% in 2015 to 5.00% in 2021+	graded from 6.75% in 2014 to 5.00% in 2021+
Weighted-average assumptions used to determine net periodic cost						
Discount rate	4.66%	4.24%	5.12%	3.66%	4.24%	5.10%
Expected return on plan assets	7.02%	6.91%	6.91%	5.37%	4.92%	5.87%
Rate of compensation increase	3.10%	3.12%	3.15%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.50% in 2016 to 5.00% in 2021+	graded from 6.75% in 2015 to 5.00% in 2021+	graded from 7.00% in 2014 to 5.00% in 2019+

N/A—Assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. At year-end 2011, the Company began using an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. The yield curve was developed for a universe containing the majority of U.S.-issued AA-graded corporate bonds, all of which were non-callable (or callable with make-whole provisions). Historically, for each plan, the discount rate was developed as the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns and for the effect of expenses paid from plan assets. The Company's pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.49% to estimate its 2017 pension benefit costs, and an expected blended return based on weighted assets of 5.09% to estimate its 2017 other postretirement benefit costs.

In the determination of year end 2014 projected benefit plan obligations, the Company adopted a new table based on the Society of Actuaries RP 2014 mortality table including a generational BB-2D projection scale. The adoption resulted in a significant increase to pension and other postretirement benefit plans' projected benefit

obligations. In 2015 a new RP 2015 mortality table was issued. All of the experience upon which the table is based was considered by the Company in selecting its 2014 assumptions.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. The health care cost trend rate is based on historical rates and expected market conditions. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 7	$ (6)
Effect on other postretirement benefit obligation	$ 74	$ (61)

The following table provides the components of net periodic benefit costs for the years ended December 31:

	2016	2015	2014
Components of net periodic pension benefit cost			
Service cost	$ 32	$ 37	$ 32
Interest cost	80	74	76
Expected return on plan assets	(95)	(97)	(95)
Amortization of:			
Prior service cost (credit)	1	1	1
Actuarial (gain) loss	27	25	—
Net periodic pension benefit cost	$ 45	$ 40	$ 14
Other changes in plan assets and benefit obligations recognized in other comprehensive income			
Amortization of prior service credit (cost)	$ —	$ —	$ —
Current year actuarial (gain) loss	21	10	46
Amortization of actuarial gain (loss)	(6)	(5)	—
Total recognized in other comprehensive income	$ 15	$ 5	$ 46
Total recognized in net periodic benefit cost and comprehensive income	$ 60	$ 45	$ 60
Components of net periodic other postretirement benefit cost			
Service cost	$ 12	$ 14	$ 11
Interest cost	28	30	29
Expected return on plan assets	(27)	(26)	(28)
Amortization of:			
Prior service cost (credit)	(9)	(2)	(2)
Actuarial (gain) loss	5	5	—
Net periodic other postretirement benefit cost	$ 9	$ 21	$ 10

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service of the current active membership for the plans.

The estimated amounts that will be amortized from accumulated other comprehensive income and regulatory assets into net periodic benefit cost in 2017 are as follows:

	Pension Benefits	Other Benefits
Actuarial (gain) loss	$ 34	$ 10
Prior service cost (credit)	1	(18)
Total	$ 35	$ (8)

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006 the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. Plan expenses totaled $9, $9 and $8 for 2016, 2015 and 2014, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 15: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $469 as of December 31, 2016.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. The future annual commitments related to minimum quantities of purchased water having non-cancelable terms are as follows:

Year	Amount
2017	$ 56
2018	58
2019	64
2020	64
2021	65
Thereafter	735

The Company enters into agreements for the provision of services to water and wastewater facilities for the United States military, municipalities and other customers. The Company's military agreements expire between 2051 and 2065 and have remaining performance commitments as measured by estimated remaining contract revenue of $3,143 as of December 31, 2016. The military agreements are subject to customary termination provisions held by the U.S. Federal Government prior to the agreed upon contract expiration. The Company's O&M agreements with municipalities and other customers expire between 2017 and 2048 and have remaining performance commitments as measured by estimated remaining contract revenue of $794 as of December 31, 2016. Some of the Company's long-term contracts to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2016, the Company has accrued approximately $138 of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $51. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 15, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol, or MCHM, and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the West Virginia-American Water Company ("WVAWC") treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection ("DEP"), WVAWC took immediate steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a "Do Not Use" order for all of its approximately 93,000 customer accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC's customers were subject to the Do Not Use order.

Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, 73 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. On January 28, 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed pending the negotiation by the parties and approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. On July 7, 2016, the court in the Federal action scheduled trial to begin on October 25, 2016, but the court delayed the start of the trial pending ongoing settlement negotiations between the parties and has since granted a continuance of the trial until March 21, 2017. The Mass Litigation Panel has also stayed its proceedings until May 1, 2017.

WVAWC Binding Global Agreement in Principle to Settle Claims

On October 31, 2016, the court in the Federal action approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle claims (the "Settlement") among the American Water Defendants, and all class members, putative class members, claimants and potential claimants (collectively, the "Plaintiffs"), arising out of the Freedom Industries chemical spill. The terms of the Settlement propose a global federal and state resolution of all litigation and potential claims against the American Water Defendants and their insurers. A claimant may elect to opt out of any final settlement agreement, in which case such claimant will not receive any benefit from or be bound by the terms of the Settlement. Under the terms and conditions of the Settlement and any subsequent final settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved.

The proposed aggregate pre-tax amount of the Settlement is $126, of which $65 would be contributed by WVAWC, and the remainder would be contributed by certain of the Company's general liability insurance carriers. The Company has general liability insurance under a series of policies underwritten by a number of

individual carriers. Two of these insurance carriers, which provide an aggregate of $50 in insurance coverage to the Company under these policies, were requested, but presently have not agreed, to participate in the Settlement. The Company and WVAWC are vigorously pursuing their rights to insurance coverage from these non-participating carriers for any contributions by WVAWC to the Settlement. In this regard, WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constitutes a breach of contract, and the Company is pursuing mandatory arbitration against the other non-participating carrier.

The preliminary terms of the Settlement intend to establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76, of which $51 will be contributed by WVAWC, including insurance deductibles, and $25 would be contributed by one of the Company's general liability insurance carriers, and (ii) an individual review claim fund of up to $50, of which up to $14 would be contributed by WVAWC and $36 would be contributed by a number of the Company's general liability insurance carriers. Separately, up to $25 would be contributed to the guaranteed fund by another defendant to the Settlement.

As a result of these events, the Company recorded a charge to earnings, net of insurance receivables, of $65 ($39 after-tax) in the third quarter of 2016. The settlement amount of $126 is reflected in Accrued Liabilities and the offsetting insurance receivable is reflected in Other Current Assets in the Consolidated Balance Sheet as of December 31, 2016. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia for approximately $4 in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The $36 to be contributed by a number of the Company's general liability insurance carriers to the individual review claim fund, as noted above, is from higher layers of the insurance structure than the two insurance carriers that were requested, but presently have not agreed, to participate in the Settlement. Any recovery by WVAWC or the Company from the non-participating carriers would reimburse WVAWC for its contributions to the guaranteed fund.

Following the court's October 31 approval, the parties have continued to negotiate the details of the Settlement. If preliminary approval of the Settlement is obtained, notice of the terms of the Settlement would then be provided to members of the settlement class. Following the notice period, the court in the Federal action would hold a fairness hearing to consider final approval of the Settlement.

Other Related Investigations

Additionally, investigations with respect to the matter have been initiated by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the Public Service Commission of West Virginia (the "PSC"). As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act.

In May 2014, the PSC issued an Order initiating a General Investigation into certain matters relating to WVAWC's response to the Freedom Industries chemical spill. Three parties intervened in the proceeding, including the Consumer Advocate Division of the PSC and two attorney-sponsored groups, including one sponsored by some of the plaintiffs' counsel involved in the civil litigation described above. On January 26, 2017, WVAWC and the other parties agreed to resolve the General Investigation and filed a joint stipulation with the PSC containing the terms of the settlement. The parties to the joint stipulation filed a proposed order with the PSC on February 8, 2017.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. On September 28, 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. The Company provided written comments to the CSB's report suggesting that the recommendation made to the Company would be better directed to the U.S. Environmental Protection Agency in order to promote industry-wide implementation of the CSB's recommendation. On February 15, 2017, the Company filed a response to the CSB's recommendation. The CSB has indicated that it may consider issuing a supplemental report on the Freedom Industries chemical spill.

Missouri Infrastructure System Replacement Surcharge Litigation

On March 8, 2016, the Western District of the Missouri Court of Appeals ruled that the Missouri Public Service Commission ("MoPSC") did not have statutory authority to issue an order in June 2015 approving an infrastructure system replacement surcharge ("ISRS") for Missouri-American Water Company ("MAWC"), a wholly owned subsidiary of the Company. The court held that the MoPSC's June 2015 order authorizing the ISRS increase was invalid because St. Louis County did not have a population of at least one million residents, as required by the statute. MAWC believes that the MoPSC's June 2015 order authorizing the collection of ISRS revenues was lawful and will continue to challenge the ruling of the Court of Appeals. On June 28, 2016, the Missouri Supreme Court granted MAWC's application to transfer the case from the Court of Appeals to the Missouri Supreme Court, and as a result of that order, the March 8, 2016 ruling of the Court of Appeals has been vacated. Oral argument in this case was heard on November 1, 2016. As of December 31, 2016, the Company has determined the range of reasonably possible loss associated with this matter to be zero to $26.

Note 16: Earnings per Common Share

The following is a reconciliation of the numerator and denominator for basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2016	2015	2014
Numerator			
Income from continuing operations	$ 468	$ 476	$ 430
Loss from discontinued operations, net of tax	—	—	(7)
Net income attributable to common stockholders	$ 468	$ 476	$ 423
Denominator			
Weighted average common shares outstanding—Basic	178	179	179
Effect of dilutive common stock equivalents	1	1	1
Weighted average common shares outstanding—Diluted	179	180	180

The effect of dilutive common stock equivalents is related to the RSUs and stock options granted under the 2007 Plan, and shares purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2016, 2015 and 2014 because their effect would have been anti-dilutive under the treasury stock method.

Note 17: Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

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

The carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and fair values of the financial instruments were as follows:

		December 31, 2016			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 12	$ —	$ —	$ 15	$ 15
Long-term debt (excluding capital lease obligations)	6,320	3,876	1,363	1,805	7,044

		December 31, 2015			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 13	$ —	$ —	$ 18	$ 18
Long-term debt (excluding capital lease obligations)	5,914	3,397	1,419	1,941	6,757

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.
- Level 2—inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial

assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

- Level 3—unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy as of December 31, 2016 and 2015, respectively:

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Restricted funds	$ 24	$ —	$ —	$ 24
Rabbi trust investments	12	—	—	12
Deposits	3	—	—	3
Mark-to-market derivative asset	—	28	—	28
Other investments	1	—	—	1
Total assets	40	28	—	68
Liabilities				
Deferred compensation obligation	13	—	—	13
Mark-to-market derivative liability	—	—	—	—
Total liabilities	13	—	—	13
Total net assets (liabilities)	$ 27	$ 28	$ —	$ 55

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Restricted funds	$ 27	$ —	$ —	$ 27
Rabbi trust investments	12		—	12
Deposits	1	—	—	1
Mark-to-market derivative asset	—	2	—	2
Other investments	4	—	—	4
Total assets	44	2	—	46
Liabilities				
Deferred compensation obligation	11	—	—	11
Mark-to-market derivative liability	—	1	—	1
Total liabilities	11	1	—	12
Total net assets (liabilities)	$ 33	$ 1	$ —	$ 34

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations and maintenance projects. The proceeds of these financings are held in escrow until the designated expenditures are incurred. Long-term restricted funds of $4 and $6 were included in other long-term assets as of December 31, 2016 and 2015, respectively.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

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

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

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

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets.

Note 18: Leases

The Company has entered into operating leases involving certain facilities and equipment. Rental expenses under operating leases were $24 for 2016, $21 for 2015 and $22 for 2014. The operating leases for facilities will expire over the next 25 years and the operating leases for equipment will expire over the next five years. Certain operating leases have renewal options ranging from one to five years.

The minimum annual future rental commitment under operating leases that have initial or remaining non-cancelable lease terms over the next five years and thereafter are as follows:

Year	Amount
2017	$ 14
2018	12
2019	11
2020	9
2021	6
Thereafter	70

The Company has a series of agreements with various public entities (the "Partners") to establish certain joint ventures, commonly referred to as "public-private partnerships." Under the public-private partnerships, the Company constructed utility plant, financed by the Company and the Partners constructed utility plant (connected to the Company's property), financed by the Partners. The Company agreed to transfer and convey some of its real and personal property to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs"), issued by the Partners under a state Industrial Development Bond and Commercial Development Act. The Company leased back the total facilities, including portions funded by both the Company and the Partners, under leases for a period of 40 years.

The leases related to the portion of the facilities funded by the Company have required payments from the Company to the Partners that approximate the payments required by the terms of the IDBs from the Partners to the Company (as the holder of the IDBs). As the ownership of the portion of the facilities constructed by the Company will revert back to the Company at the end of the lease, the Company has recorded these as capital leases. The lease obligation and the receivable for the principal amount of the IDBs are presented by the Company on a net basis. The gross cost of the facilities funded by the Company recognized as a capital lease asset was $152 and $156 as of December 31, 2016 and 2015, respectively, which is presented in property, plant and equipment in the accompanying Consolidated Balance Sheets. The future payments under the lease obligations are equal to and offset by the payments receivable under the IDBs.

As of December 31, 2016, the minimum annual future rental commitment under the operating leases for the portion of the facilities funded by the Partners that have initial or remaining non-cancelable lease terms in excess of one year included in the preceding minimum annual rental commitments are $4 in 2017 through 2021, and $66 thereafter.

Note 19: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions and assess performance. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates businesses that provide a broad range of related and complementary water and wastewater services in non-regulated markets, which includes four operating segments that individually do not meet the criteria of a reportable segment. These four non-reportable operating segments are collectively presented as our "Market-Based Businesses".

The Regulated Businesses segment is the largest component of the Company's business and includes 18 subsidiaries that provide water and wastewater services to customers in 16 states.

The Market-Based Businesses' four non-reportable operating segments are Military Services Group, Contract Operations Group, Homeowner Services Group and Keystone Operations. Military Services Group performs 50-year contracts with the U.S. Department of Defense for the operation and maintenance of the water and wastewater systems on certain military bases. Homeowner Services Group provides services to domestic homeowners and smaller commercial establishments to protect against the cost of repairing damaged or blocked pipes inside and outside their accommodations, as well as interior electric lines. Contract Operations Group performs contracts with municipalities, the food and beverage industry and other customers to operate and maintain water and wastewater facilities. Keystone Operations provides customized water sourcing, transfer services, pipeline construction, water and equipment hauling and water storage solutions, for natural gas exploration and production companies.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. See Note 2—Significant Accounting Policies. The Regulated Businesses segment and Market-Based Businesses include intercompany costs that are allocated by American Water Works Service Company, Inc. and intercompany interest that is charged by American Water Capital Corp., which are eliminated to reconcile to the consolidated results of operations. Inter-segment revenues, include the sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, furniture and equipment provided by the Company's market-based subsidiaries to its regulated subsidiaries. "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

The following tables include the Company's summarized segment information as of and for the years ended December 31:

	2016			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,871	$ 451	$ (20)	$ 3,302
Depreciation and amortization	440	15	15	470
Total operating expenses, net	1,852	391	(21)	2,222
Interest, net	256	(2)	71	325
Income from continuing operations before income taxes	775	65	(70)	770
Provision for income taxes	303	26	(27)	302
Net income attributable to common stockholders	472	39	(43)	468
Total assets	16,405	637	1,440	18,482
Capital expenditures	1,274	18	19	1,311

	2015			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,743	$ 434	$ (18)	$ 3,159
Depreciation and amortization	411	8	21	440
Total operating expenses, net	1,732	370	(18)	2,084
Interest, net	248	(2)	62	308
Income from continuing operations before income taxes	776	68	(62)	782
Provision for income taxes	303	26	(23)	306
Net income attributable to common stockholders	473	42	(39)	476
Total assets	15,258	496	1,487	17,241
Capital expenditures	1,143	17	—	1,160

	2014			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,674	$ 355	$ (18)	$ 3,011
Depreciation and amortization	394	6	24	424
Total operating expenses, net	1,726	300	(18)	2,008
Interest, net	248	(2)	53	299
Income from continuing operations before income taxes	707	58	(55)	710
Provision for income taxes	273	18	(11)	280
Income from continuing operations	434	40	(44)	430
Loss from discontinued operations, net of tax	—	(7)	—	(7)
Net income attributable to common stockholders	434	33	(44)	423
Total assets	14,343	314	1,381	16,038
Capital expenditures	946	10	—	956

Note 20: Unaudited Quarterly Data

The following table summarizes certain supplemental unaudited consolidated quarterly financial data for each of the four quarters in the years ended December 31, 2016 and 2015, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

2016	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In millions, except per share data)			
Operating revenues	$ 743	$ 827	$ 930	$ 802
Operating income	214	299	319	248
Net income attributable to common stockholders	82	137	148	101
Basic earnings per share:				
Net income attributable to common stockholders	0.46	0.77	0.83	0.57
Diluted earnings per share:				
Net income attributable to common stockholders	0.46	0.77	0.83	0.57

2015	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In millions, except per share data)			
Operating revenues	$ 698	$ 782	$ 896	$ 783
Operating income	204	278	361	232
Net income attributable to common stockholders	80	123	174	99
Basic earnings per share:				
Net income attributable to common stockholders	0.45	0.69	0.97	0.55
Diluted earnings per share:				
Net income attributable to common stockholders	0.44	0.68	0.96	0.55

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2016, our disclosure controls and procedures were effective at a reasonable level of assurance. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Our internal control over financial

reporting is a process designed by or under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting, as of December 31, 2016, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our evaluation under the framework in *Internal Control—Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not given below or in Item 1—Business—Executive Officers of this Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance," "Proposal 1—Election of Directors" and "Certain Beneficial Ownership Matters—Section 16(a) Beneficial Ownership Reporting Compliance."

We have adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on our website at *https://amwater.com*. We intend to post on our website any amendments to our Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders, under the captions entitled "Executive Compensation," "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report," "Proposal 1—Election of Directors—Director Compensation" and "Proposal 1—Election of Directors—Director Compensation Table."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders, under the caption entitled "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders, under the caption entitled "Fees Paid to Independent Registered Public Accounting Firm" and "Policy on the Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8— "Financial Statements and Supplementary Data" of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).

2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.

3. Exhibits. The list of documents contained in "Exhibit Index" to this Form 10-K is incorporated by reference in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 21st day of February, 2017.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 21st day of February, 2017, by the following persons in the capacities indicated.

/s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer and Director)

/s/ JULIE A. DOBSON

Julie A. Dobson
(Director)

/s/ LINDA G. SULLIVAN

Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ PAUL J. EVANSON

Paul J. Evanson
(Director)

/s/ MELISSA K. WIKLE

Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

/s/ VERONICA M. HAGEN

Veronica M. Hagen
(Director)

/s/ GEORGE MACKENZIE

George MacKenzie
(Director)

/s/ JULIA L. JOHNSON

Julia L. Johnson
(Director)

/s/ MARTHA CLARK GOSS

Martha Clark Goss
(Director)

/s/ KARL F. KURZ

Karl F. Kurz
(Director)

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
4.1	Indenture, dated as of October 22, 2007 between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers' Certificate, dated December 15, 2010, establishing the 6.00% Senior Monthly Notes due 2040 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 15, 2010).
4.4	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.5	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.6	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.8	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.10	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).

Exhibit Number	Exhibit Description
4.12	Note Purchase Agreement, as amended, dated December 21, 2006, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 4.2 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007) with respect to the 5.52% Series B Senior Notes due December 21, 2016, 5.62% Series C Senior Notes due December 21, 2018 and 5.77% Series D Senior Notes due December 21, 2021.
4.13	Note Purchase Agreement, as amended, dated March 29, 2007, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 4.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007) with respect to 5.62% Series E Senior Notes due March 29, 2019 and 5.77% Series F Senior Notes due March 29, 2022.
4.14	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.25% Series G Senior Notes due May 15, 2018 and the 6.55% Series H Senior Notes due May 15, 2023.
10.1	Amended and Restated Credit Agreement, dated as of June 30, 2015, by and among American Water Works Company, Inc., American Water Capital Corp., each of the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd. and PNC Bank, National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on July 7, 2015).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Employment Letter Agreement between Linda G. Sullivan and American Water Works Company, Inc. dated March 10, 2014 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2014).
10.4*	Amended and Restated Letter Agreement between Loyd Warnock and American Water Works Company, Inc. dated May 7, 2014 (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.5*	Letter, dated December 12, 2014, by and between American Water Works Company, Inc. and Brenda J. Holdnak, Ph.D. (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
10.6*	Letter, dated February 17, 2015, by and between American Water Works Company, Inc. and Michael A. Sgro (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
10.7*	Severance Agreement and General Release, dated March 27, 2015, by and between American Water Works Company, Inc. and John Bigelow (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).

Exhibit Number	Exhibit Description
10.8*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.9.1*	American Water Works Company, Inc. Nonqualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.15 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145725, filed March 31, 2008).
10.9.2*	Amendment 2010-1 to the American Water Works Company, Inc. Nonqualified Employee Stock Purchase Plan, dated as of December 10, 2010 (incorporated by reference to Exhibit 10.12 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 28, 2011).
10.10*	American Water Works Company, Inc. Executive Severance Policy, dated as of December 16, 2008 (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 3, 2010).
10.11.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.11.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2011 Nonqualified Stock Option Grant for ML1 – L5 Employees (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2011).
10.11.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Nonqualified Stock Option Grant for ML1 – L5 Employees (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2012).
10.11.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.11.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2014).
10.11.6*	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.6A to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2014).
10.11.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan May 2014 Nonqualified Stock Option Grant Form for Susan N. Story (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.11.8*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.13.10 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).

Exhibit Number	Exhibit Description
10.11.9*	Amendment to American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.13.11 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (for certain executives) (incorporated by reference to Exhibit 10.13.12 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.11*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.12*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (for certain executives) (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.13*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.13.17 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.14*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Restricted Stock Unit Grant (for certain executives) (incorporated by reference to Exhibit 10.13.18 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.15*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan Form of Restricted Stock Unit Grant for Brenda J. Holdnak (incorporated by reference to Exhibit 10.13.19 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.16*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.17*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (for certain executives) (incorporated by reference to Exhibit 10.2.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.18*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.13.28 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.19*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.13.29 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.20*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13.30 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).

Exhibit Number	Exhibit Description
10.11.21*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.13.31 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.22*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Conditional Performance Stock Unit Grant Form A for certain executive officers (incorporated by reference to Exhibit 10.13.32 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.23*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Conditional Performance Stock Unit Grant Form B for certain executive officers (incorporated by reference to Exhibit 10.13.33 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.24*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.25*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.3.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.26*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.27*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.3.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.28*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2010 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 4, 2010).
10.11.29*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2011 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2011).
10.11.30*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2012).
10.11.31*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).

Exhibit Number	Exhibit Description
10.11.32*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.11.33*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
10.11.34*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.12.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.12.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.13*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.14*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.37 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.15*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.16	Binding Global Agreement in Principle to Settle Claims Arising from the Freedom Industries, Inc. Chemical Spill, dated as of October 31, 2016 (filed herewith).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).

Exhibit Number	Exhibit Description
32.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
101	The following financial statements from American Water Works Company, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Stockholders' Equity; and (vi) the Notes to Consolidated Financial Statements (filed herewith).

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-168543 and 333-150381) and Form S-3 (Nos. 333-203949 and 333-209933) of American Water Works Company, Inc. of our report dated February 21, 2017 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 21, 2017

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Susan N. Story, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 21, 2017

By: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Linda G. Sullivan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 21, 2017

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan
Executive Vice President and Chief Financial Officer

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Susan N. Story, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

February 21, 2017

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Linda G. Sullivan, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan
Executive Vice President and Chief Financial Officer

February 21, 2017

Investor Inquiries
Stockholders with questions, or who wish to obtain a copy of the company's reports filed with the Securities and Exchange Commission without charge, should visit American Water's Investor Relations page at amwater.com, or contact:

Investor Relations
1025 Laurel Oak Road
Voorhees, NJ 08043
Investor Relations Line:
856-566-4005

Investor Relations Fax:
856-782-2782

E-mail:
aw.investorrelations@amwater.com

Headquarters
1025 Laurel Oak Road
Voorhees, NJ 08043
Phone: 856-346-8200

Internet Address
amwater.com

Stock Market
Common stock of American Water Works Company, Inc. is traded on the New York Stock Exchange (NYSE) under the symbol AWK.

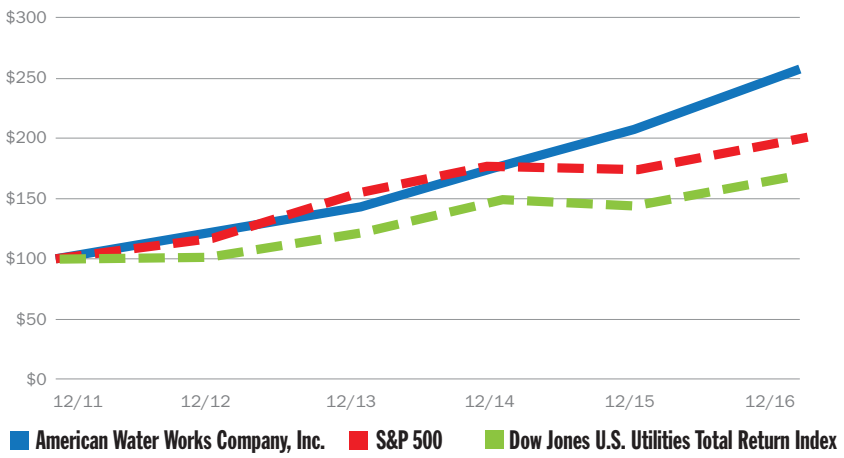
Annual Meeting
The annual meeting of stockholders is scheduled for 10:00 a.m. ET on Friday, May 12, 2017, to be held at The Camden Adventure Aquarium, 1 Riverside Drive, Camden, New Jersey, 08103. All holders of our outstanding common stock at the close of business on March 16, 2017 are entitled to notice of, and to vote at, the meeting. Notice of the meeting and proxy materials will be distributed to stockholders and are accessible to the public on our Investor Relations webpage at amwater.com. Management encourages all investors to participate and vote.

Executive Certifications
American Water Works has included as exhibits to its 2016 Annual Report on Form 10-K filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of the company regarding the company's public disclosures contained therein. The company also provides annually to the NYSE a certificate of the CEO certifying that, among other things, it is not aware of any violation by the company of NYSE corporate listing standards.

Dividends
Dividends paid on the company's common stock in 2016 were:

March 1, 2016	$0.340
June 1, 2016	$0.375
September 1, 2016	$0.375
December 1, 2016	$0.375

Stock Performance Graph
The company's common stock began trading publicly on April 23, 2008. The graph below compares the cumulative total return on American Water's common stock with the cumulative total return of the Standard & Poor's 500 Index and the Dow Jones U.S. Utilities Total Return Index from December 30, 2011, through December 31, 2016. The comparison assumes $100 was invested on December 30, 2011, and that dividends were reinvested.



*$100 invested on 12/30/11 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.
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	12/30/2011	12/312012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
American Water Works Company, Inc.	$100.00	$120.60	$140.04	$181.23	$208.15	$257.26
S&P 500	$100.00	$116.00	$153.58	$174.60	$177.01	$198.18
Dow Jones U.S. Utilities Total Return Index	$100.00	$101.76	$117.23	$150.15	$143.23	$167.67

AMERICAN WATER

amwater.com

1025 Laurel Oak Road | Voorhees, NJ 08043

American Water Works Company, Inc., together with its subsidiaries, is referred to as American Water. "American Water" and the star logo are the registered trademarks of American Water Works Company, Inc. All rights reserved.

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Section 1: 10-K (AWK - 12.31.2017 10-K)

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission file: number 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

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

(856) 346-8200
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common stock, par value $0.01 per share	**New York Stock Exchange, Inc.**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer	☒		Accelerated filer	☐
Non-accelerated filer	☐	(do not check if a smaller reporting company)	Smaller reporting company	☐
			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, $0.01 par value—$12,477,500,000 as of June 30, 2017 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2017, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2017, to be controlled by, or under common control with, American Water or any of the persons described in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—178,551,923 shares as of February 15, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2018 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2017 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

We have made statements in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Form 10-K, or incorporated certain statements by reference into this Form 10-K, that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things, our future financial performance, including our operation and maintenance ("O&M") efficiency ratio, cash flows, our growth and portfolio optimization strategies, our projected capital expenditures and related funding requirements, our ability to repay debt, our projected strategy to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory, legislative, tax policy or legal developments or rate adjustments, including rate case filings, filings for infrastructure surcharges and filings to address regulatory lag.

Forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results or levels of activity, performance or achievements, and you are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Our actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions, taxes, permitting and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts;
- limitations on the availability of our water supplies or sources of water, or restrictions on our use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, water quality and emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares;
- the outcome of litigation and similar governmental proceedings, investigations or actions, including matters related to the Freedom Industries chemical spill in West Virginia and the preliminarily approved global class action settlement agreement related to this chemical spill;
- our ability to appropriately maintain current infrastructure, including our operational and information technology ("IT") systems, and manage the expansion of our business;
- exposure or infiltration of our critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber attacks or other means;
- our ability to obtain permits and other approvals for projects;
- changes in our capital requirements;
- our ability to control operating expenses and to achieve efficiencies in our operations;
- the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers;
- our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations;
- our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to,

among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses;

- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;

- cost overruns relating to improvements in or the expansion of our operations;
- our ability to maintain safe work sites;
- our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water service and management solutions that are focused on customers in the natural gas exploration and production market;
- changes in general economic, political, business and financial market conditions;
- access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- restrictive covenants in or changes to the credit ratings on us or our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends;
- fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements;
- changes in federal or state general, income and other tax laws, including any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities (collectively, the "Related Interpretations") related to the enactment of the Tax Cuts and Jobs Act (the "TCJA"), the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. federal and state income tax net operating loss ("NOL") carryforwards;
- migration of customers into or out of our service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn our systems, or the assertion by private landowners of similar rights against us;
- difficulty or inability to obtain insurance, our inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or our inability to obtain reimbursement under existing insurance programs for any losses sustained;
- the incurrence of impairment charges related to our goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the ability to retain and attract qualified employees;
- civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Form 10-K, and you should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements we make speak only as of the date this Form 10-K was filed with the United States Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

Our Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, we employ approximately 6,900 professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in 46 states, the District of Columbia and Ontario, Canada. The largest component of the Company's business includes rate regulated subsidiaries that provide water and wastewater services, collectively presented as our "Regulated Businesses." We conduct the majority of our business through the Regulated Businesses segment. We also operate several market-based businesses that provide a broad range of related and complementary water and wastewater services within four operating segments that individually do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"). These four, non-reportable operating segments are collectively presented as our "Market-Based Businesses," which is consistent with how management assesses the results of these businesses.

Throughout this Annual Report on Form 10-K (this "Form 10-K"), unless the context otherwise requires, references to "we," "us," "our," the "Company," and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. Our utilities operate in approximately 1,600 communities in 16 states in the United States, with approximately 3.4 million active customer connections to our water and wastewater networks. Services provided by our utilities are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions ("PUCs" or "Regulators"). Certain federal, state and local governments also regulate environmental, health and safety, and water quality matters. We report the results of the services provided by our utilities in our Regulated Businesses segment. Operating revenues for our Regulated Businesses were $2,958 million for 2017, $2,871 million for 2016 and $2,743 million for 2015, accounting for 88%, 87% and 87%, respectively, of the Company's total operating revenues for the same periods.

The following table geographically summarizes our Regulated Businesses' operating revenues and the number of customers we serve by type of service, each as of and for the year ended December 31, 2017:

	Operating Revenues (In millions)				Number of Customers (In thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	$ 698	$ 41	$ 739	25.0%	639	48	687	20.5%
Pennsylvania	617	44	661	22.3%	658	64	722	21.5%
Illinois	284	20	304	10.3%	284	33	317	9.5%
Missouri	280	9	289	9.8%	466	13	479	14.3%
Indiana	222	—	222	7.5%	302	—	302	9.0%
California	219	3	222	7.5%	175	3	178	5.3%
West Virginia	143	1	144	4.9%	166	1	167	5.0%
Total - Top Seven States (b)	2,463	118	2,581	87.3%	2,690	162	2,852	85.1%
Other states (c)	353	24	377	12.7%	470	31	501	14.9%
Total Regulated Businesses	$ 2,816	$ 142	$ 2,958	100.0%	3,160	193	3,353	100.0%

(a) Includes Other operating revenues, consisting primarily of fees, miscellaneous service charges and rents.

(b) Our "Top Seven States" are determined based upon operating revenues.

(c) Includes our utilities in the following states: Georgia, Hawaii, Iowa, Kentucky, Maryland, Michigan, New York, Tennessee and Virginia.

See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 19—Segment Information in the Notes to Consolidated Financial Statements for additional information.

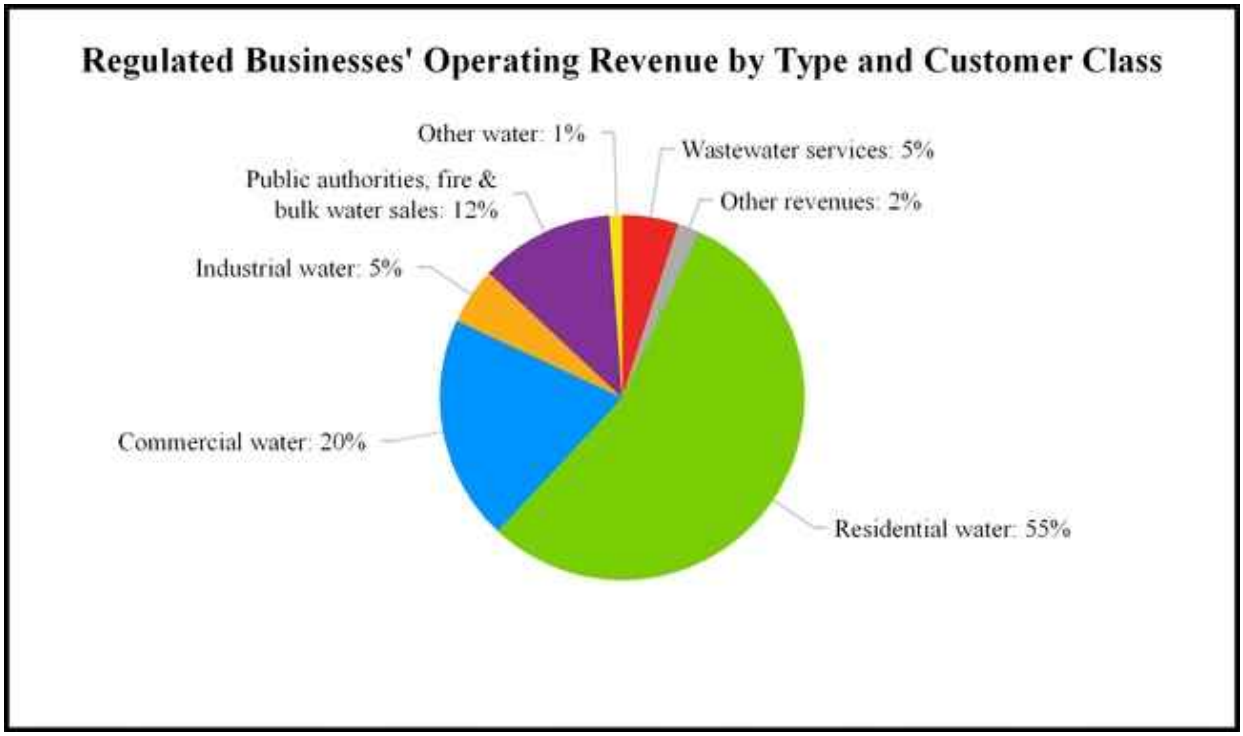
Customers

Our Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases our water or wastewater services as of the last business day of a reporting period. One single customer may purchase our services for use by multiple individuals or businesses, as is the case in many homes, apartment complexes, businesses and governmental entities.

The vast majority of our regulated water customers are metered, which allows us to measure and bill for our customers' water usage, typically on a monthly basis. We employ a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices (touch read) or via radio frequency to mobile or fixed network data collectors. Our wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of our customer base in all of the states in which we operate. We also serve: (i) commercial customers, such as hospitals, food and beverage providers and energy suppliers; (ii) industrial customers, such as large-scale manufacturers, mining and production operations; and (iii) public authorities, such as government buildings and other public sector facilities, including schools. In addition, we supply water through our distribution systems to public fire hydrants for firefighting purposes, to private fire customers for use in fire suppression systems in office buildings and other facilities, and to other water utilities and community water systems in the form of bulk water supplies for distribution to their own customers.

The following chart depicts the allocation of our Regulated Businesses' operating revenue by type, including a breakout of the total water services revenues by class of customer, for the year ended December 31, 2017:



The following table summarizes the number of water and wastewater customers we served by class as of December 31:

	2017		2016		2015	
(In thousands)	Water	Wastewater (a)	Water	Wastewater	Water	Wastewater
Residential	2,872	182	2,846	171	2,829	133
Commercial	221	11	220	10	219	8
Industrial	4	—	4	—	4	—
Public & other	63	—	61	—	60	—
Total	3,160	193	3,131	181	3,112	141

(a) In 2017, we acquired substantially all of the wastewater collection and treatment system assets of the Municipal Authority of the City of McKeesport, Pennsylvania (the "McKeesport system"). This acquisition included approximately 22,000 customer equivalents in total; comprised of 11,000 customer connections, which are reflected in the 2017 residential customer count in the table above, as well as service to an additional 11,000 customers under bulk contracts to 13 municipalities in Allegheny County, Pennsylvania.

Customer growth in our Regulated Businesses is primarily driven by: (i) adding new customers to our customer base through acquisitions of water and/or wastewater utility systems; (ii) organic population growth (or decline) in our authorized service areas; and (iii) sale of water to other water utilities and community water systems.

Capital Investment

On an annual basis, approximately 2 trillion gallons of treated water are lost in the United States through more than 240,000 main breaks at an estimated cost of $2.6 billion. This represents approximately 20% of all treated water in the country. In addition, every year approximately 900 billion gallons of untreated sewage is discharged into the country's rivers and streams. The aging water and wastewater infrastructure in the United States is in need of replacement and modernization. In 2017, the American Society of Civil Engineers published its *Report Card for America's Infrastructure*, in which it gave the drinking water industry a grade of "D" and the wastewater infrastructure a grade of "D+," primarily because much of the infrastructure is nearing the end of its useful life. As documented in the American Water Works Association's (the "AWWA") *Buried No Longer: Confronting America's Water Infrastructure Challenge*, restoring the country's existing water systems as they reach the end of their useful lives and expanding them to serve a growing population will cost at least $1 trillion between 2011 and 2035, if we are to maintain current levels of water service. In addition, increased regulation related to water quality and the management of water and wastewater residuals' discharges, which began with the passage of the Clean Water Act in 1972 and the Safe Drinking Water Act in 1974, is also a primary driver for the need to modernize.

To address the growing infrastructure needs in the areas we serve, we plan to invest $7.2 billion over the next five years, including a range of $1.4 billion to $1.5 billion in 2018, for capital improvements to our Regulated Businesses' water and wastewater infrastructure, largely aimed for pipe replacement and upgrading aging water and wastewater treatment facilities. We have proactively doubled our pipe renewal rate over a five year period, from 2011 to 2016, from a 250 year replacement cycle to a 120 year replacement cycle, which we anticipate will enable us to replace nearly 2,000 miles of mains and collection pipes over the next five years. In addition, during this same five year period, capital investment in treatment plants, storage tanks and other key, above-ground facilities has increased over 10%, further addressing aging infrastructure and emerging regulatory compliance needs.

Economic Regulation and Rate Making

Our Regulated Businesses operate under a regulatory compact whereby, in exchange for exclusive rights to provide water and wastewater services in defined service territories, we have an obligation to serve customers within those territories requesting service, within reasonable limits. In return for agreeing to invest capital into our water and wastewater systems, we are given the opportunity to recover our costs of doing business and earn a reasonable rate of return on our investments.

The operations of our Regulated Businesses are generally subject to economic regulation by PUCs in the state in which they operate, with the primary responsibility of the PUCs to promote the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states PUCs approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, capital expenditures, O&M expenses, taxes, transactions and affiliate relationships, reorganizations and mergers and acquisitions. Regulatory policies vary from state to state and could potentially change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

The process to obtain approval for a change in rates generally occurs by way of a rate case filed by the utility with the PUC on a periodic basis. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility's need to increase its revenue to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. Our rate case management program is guided by the principles of obtaining timely recovery of capital investment costs, recognition of declining sales resulting from reduced consumption and appropriate recovery of utility operating and maintenance costs, including costs incurred for compliance with environmental regulations. The program attempts to minimize "regulatory lag," the time between the occurrence of an event that triggers a change in the utility's revenue requirement and its recognition in rates. It is, for example, the time between when an investment in plant is placed into service for the benefit of the customer and when the Company can begin earning a return of and on the investment through the ratemaking process. It also applies to the lag in the recognition in rate recovery of changes in expenses and revenues.

Our Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Examples of approved regulatory practices include:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharges	Allows rates to change periodically, outside a general rate proceeding, to reflect recovery of investments made to replace infrastructure necessary to sustain safe, reliable services for our customers. These mechanisms typically involve periodic filings and reviews, to ensure transparency.	IA, IL, IN, MO, NJ, NY, PA, TN, VA, WV
Future test year	A test period used for setting rates, that begins with the date new rates are effective. This allows current or projected revenues, expenses and investments to be collected on a timelier basis.	CA, HI, IL, IN, KY, NY, PA, TN, VA
Hybrid test year	Allows an update to historical data for "known and measurable" changes that occur subsequent to the historical test year.	IA, MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction. In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudency of such projects.	CA, IL, KY, NY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate proceeding or deferred until the next general rate proceeding.	CA, IL, MD, MO, NJ, NY, PA, TN, VA, WV
Revenue stability mechanisms	Separates a water utility's cost recovery from the amount of water it sells to recover its fixed costs and on-going infrastructure investment needs. Such a mechanism adjusts rates periodically to ensure that a utility's revenue will be sufficient to cover its costs regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL, NY
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state and is generally used to prioritize capital investments and moderate the impact of periodic fluctuations in local costs while lowering administrative costs for customers. Pennsylvania also permits a blending of water and wastewater revenue requirements.	IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV

We pursue or seek enhancement to these regulatory practices to facilitate efficient recovery of our costs and investments in order to continue to provide safe, reliable and affordable services to our customers. The ability to seek regulatory treatment as described above does not guarantee that the state PUCs will accept our proposal in the context of a particular rate case, and these practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also our strategy to expand their use in areas where they may not currently apply.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. Both industries are highly fragmented. According to the Environmental Protection Agency ("EPA"), approximately 84% of the United States water market is served by municipal systems and approximately 98% of the country's wastewater systems are government owned. The EPA also estimates that there are approximately 50,000 community water systems and approximately 20,000 community wastewater systems in the United States, with over half of the community water systems serving a population of 500 or less. This large number of relatively small, fragmented water and wastewater systems may result in inefficiencies in the marketplace, since such utilities may not have the operating expertise, financial and technological capability or economies of scale to provide services or raise capital as efficiently as larger utilities. Larger utilities that have greater access to capital are generally more capable of making mandated and other necessary infrastructure upgrades to their water and wastewater systems. In addition, water and wastewater utilities with large customer bases, spread across broad geographic regions, may more easily absorb the impact of significant variations in precipitation and temperatures, such as droughts, excessive rain and cool or warm temperatures in specific areas. Larger utilities generally are able to spread support services over a larger customer base, thereby reducing the costs to serve each customer. Since many administrative and support activities can be efficiently centralized to gain economies of scale, companies that participate in industry consolidation have the potential to improve operating efficiencies, lower costs per unit and improve service at the same time.

A fundamental aspect of our growth strategy is to pursue acquisitions of small and medium water and/or wastewater systems of between 1,000 and 30,000 customer connections, in close geographic proximity to areas where we operate our Regulated Businesses. The close proximity of acquisition opportunities to our regulated footprint allows us to integrate and manage the acquired systems and operations primarily using our existing management and to achieve operational efficiencies and prioritize capital investment needs. Our current customer mix of 94% water and 6% wastewater also presents strategic opportunities for wastewater growth and systems consolidation, adding wastewater customers where we already serve water customers. We intend to continue to expand our regulated footprint geographically by acquiring water and wastewater systems in our existing markets and, if appropriate, pursue acquisition opportunities in certain domestic markets where we do not currently operate our Regulated Businesses. Before entering new regulated markets, we will evaluate the business and regulatory climates to ensure that we will have the opportunity to achieve an appropriate rate of return on our investment while maintaining our high standards for providing safe, reliable and affordable services to our customers, as well as a line of sight to grow our base customers to a significant level to attain efficiencies after entering the new market.

More stringent environmental, health and safety, and water quality regulations, the amount of infrastructure in need of significant capital investment and financial challenges are driving more municipalities to consider selling their water and wastewater assets. For example, in 2015, New Jersey enacted the Water Infrastructure Protection Act, which allows municipalities with a water or wastewater system that meets certain emergent conditions, to allow it to sell the system on an expedited basis without a referendum. Also, in 2017, New Jersey enacted the Water Quality Accountability Act, which sets new operational standards for all water utilities in New Jersey, including municipal and investor-owned utilities. This law imposes new requirements in areas such as cybersecurity, asset management, water quality reporting, remediation of notices of violation, and hydrant and valve maintenance.

We also support full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through fair market valuations of purchased property and the consolidation of water and wastewater rates. Our Regulated Businesses in California, Illinois, Indiana, Missouri, New Jersey and Pennsylvania have access to fair market value legislation for private sector investment in public sector systems. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, providing municipalities with a fair and objective purchase price that is more reflective of the assets' value, while the utility has increased assurance of recovering investment over the life of the assets. Ultimately, we believe that many communities could benefit from receiving safe and reliable water and wastewater service from an experienced utility with proven access to capital and financial, technical, and managerial resources.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in the state. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility and can ensure economies of scale for even the smallest of systems and prioritize capital needs across the state. Overall, this brings cost-effective, higher quality services to a larger number of citizens. Ten of our regulated subsidiaries currently have some form of consolidated tariff pricing, including Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia, and West Virginia.

Competition

In our Regulated Businesses, we generally do not face direct competition in our existing markets because: (i) we operate in those markets pursuant to certificates of public convenience and necessity (or similar authorizations) issued by state PUCs; and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a high barrier to market entry. However, our Regulated Businesses do face competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, our largest investor-owned competitors, based on a comparison of operating revenues and population served, are Aqua America, Inc., Suez North America, American States Water Company and California Water Service Group. From time to time, we also face competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp. and Corix.

Condemnation and Eminent Domain

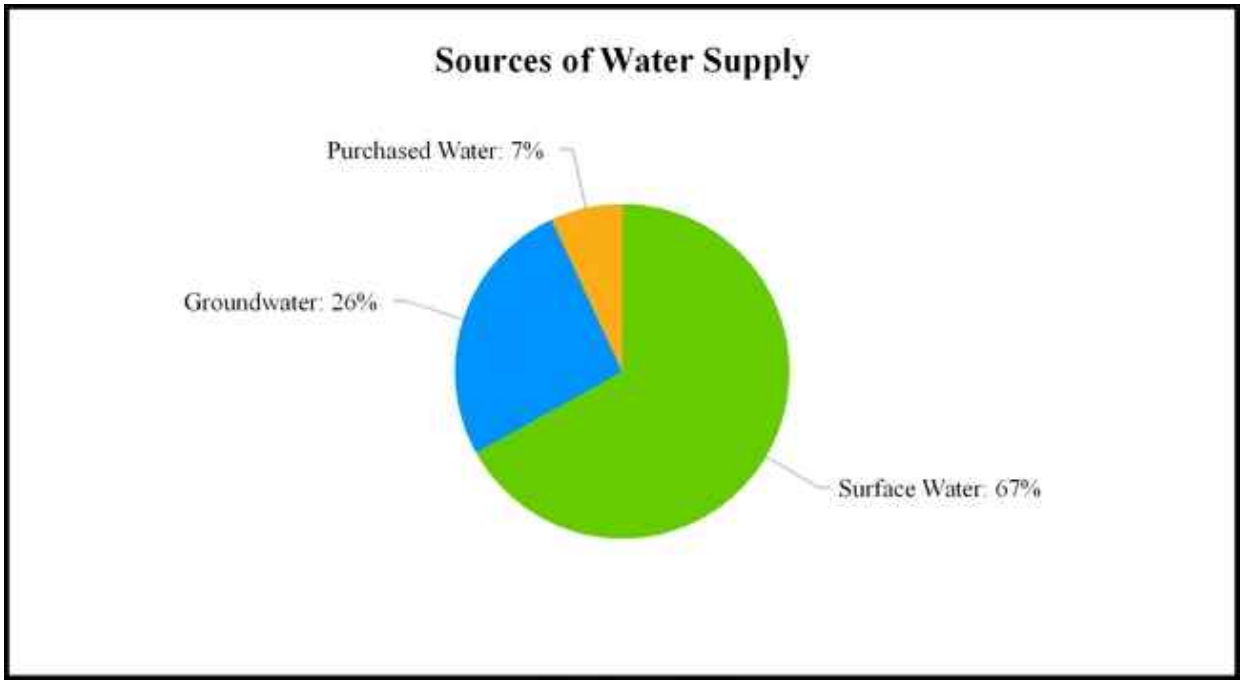
All or portions of our Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its certificate. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular franchise or charter.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate, including, for example, California, provides for eminent domain rights allowing private property owners to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. These actions have occurred in connection with events such as floods, mudslides and debris flow, broken water mains, landslides and wild and brush fires.

Water Supply and Wastewater Services

Our Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to our customers and collect, treat, transport and recycle wastewater. Typically, we do not own the water itself, which is held in public trust and is allocated to us through contracts, permits and allocation rights granted by federal and state agencies or through the ownership of water rights pursuant to local law. We are dependent on defined sources of water supply and obtain our water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third party water suppliers. The level of treatment we apply to the water varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically generally require significant treatment, while groundwater sources require chemical treatment only.

The following chart depicts our sources of water supply as of December 31, 2017:



The percentages of water supply by source type for our top seven states for 2017 were as follows:

	Surface Water	Ground Water	Purchased Water
New Jersey	72%	24%	4%
Pennsylvania	91%	7%	2%
Illinois	53%	36%	11%
Missouri	80%	19%	1%
Indiana	44%	56%	—
California	—	65%	35%
West Virginia	100%	—	—

Our ability to meet the existing and future water demands of our customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. We employ a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of our service areas may mitigate some of the economic effects on the water supply associated with weather extremes we might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas we serve may experience wetter than average weather.

In our long-term planning, we evaluate quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that we have adequate water supply, we use long-term planning processes and maintain contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. In connection with supply planning for most surface or groundwater sources, we employ models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. An example of our use of long-term planning to ensure that we have adequate water supply is our involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, owned by California-American Water Company ("Cal Am"), our wholly owned subsidiary, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project between the Monterey Regional Water Pollution Control Agency and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill obligations of Cal Am to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB").

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Seasonality

Customer demand for our water service is affected by weather and tends to vary with temperature, rainfall levels and the frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, we typically expect our operating revenues to be the highest in the third quarter of each year. Weather that is hotter and drier than average generally increases operating revenues whereas, weather that is cooler and/or wetter than average generally serves to suppress customer water demand and can reduce water operating revenues. Three of our jurisdictions, California, Illinois and New York, have adopted revenue stability mechanisms which permit us to collect state PUC-authorized revenue for a given period which is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See "Economic Regulation and Rate Making" for additional information regarding revenue stability mechanisms.

Market-Based Businesses

Through our Market-Based Businesses, we provide a broad range of related and complementary water and wastewater services to military bases, municipalities, gas exploration and production companies, as well as commercial, industrial and residential customers. These businesses are not subject to economic regulation by state PUCs and the services provided do not require significant capital investment. Operating revenues for our Market-Based Businesses were $422 million for 2017, $451 million for 2016 and $434 million for 2015, accounting for 13%, 14% and 14%, respectively, of the Company's total operating revenues for the same periods. Included within our Market-Based Businesses' results is operating revenues attributed to Canadian operations of $5 million for 2017 and $6 million for both 2016 and 2015, respectively.

Our Market-Based Businesses are comprised of four operating segments:

- Military Services Group, which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military bases;
- Homeowner Services Group, which provides warranty-type services to homeowners and smaller commercial customers to protect against the cost of repairing broken or leaking water pipes and clogged or blocked sewer pipes on their premises, and other services;
- Contract Operations Group, which enters into contracts with municipal, commercial and industrial customers, primarily to operate and manage water and wastewater facilities and other related services; and
- Keystone Clearwater Solutions, LLC ("Keystone"), which provides customized water service and management solutions for natural gas exploration and production companies and customers in the municipal water services market.

Military Services Group

Our Military Services Group has been granted contracts to operate on 13 military bases under 50-year contracts with the U.S. government as part of its Utility Privatization Program. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Strategic Focus and 2017 Achievements—Growth for additional information. The scope of these contracts generally includes the O&M of the bases' water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to the Company is funded from the contract fee. At times, new assets are required to support the base's mission and the construction of these assets are funded by the U.S. government as additional work under the contract. The current capital program does not use the Company's equity or debt borrowings; however, we may make limited short-term working capital investments under these contracts and some working capital is used to fund work-in-process until paid by the U.S. government.

The contract price for nine of our contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. The remaining four contracts with the U.S. government are subject to annual price adjustments under a mechanism similar to price redetermination, called "Economic Price Adjustment." All of these contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In either event, pursuant to termination provisions applicable to these contracts, we would be entitled to recover allowable costs that we may have incurred under the contract, plus the contract profit margin on incurred costs. Our backlog of revenue associated with our contracts with the U.S. government is approximately $3.6 billion, with an average remaining contract term of 42 years.

Homeowner Services Group

Our Homeowner Services Group, through our various protection programs, provides services to domestic homeowners and smaller commercial customers to protect against repair costs for interior and external water and sewer lines, interior electric lines, heating and cooling systems and water heaters, as well as power surge protection and other related services. Our LineSaver™ program involves partnering with utilities, municipalities and other organizations to offer our protection programs to customers serviced by or affiliated with those municipalities and organizations. Terms of these partnership agreements are typically three to five years in length, with optional renewals. As of December 31, 2017, our Homeowner Services Group had approximately 1.7 million customer contracts in 43 states and the District of Columbia, and 10 LineSaver™ partnership agreements with municipalities and other organizations.

Contract Operations Group

Our Contract Operations Group enters into contracts to provide O&M services, including the delivery of design-build-operate projects and the provision of water and wastewater operations, maintenance and management services, to municipal and regional governmental entities through public-private partnerships, as well as industrial customers who possess a wide range of water quality and regulatory compliance needs. Historically, we have made minimal long-term capital investment under these contracts; instead we perform our services for a fee. Occasionally, we provide our customers with financing for capital projects as part of a long-term O&M partnership. As of December 31, 2017, our Contract Operations Group had 33 contracts across the United States and Canada, varying in size and scope, with an average remaining contract term of 3 years. In the course of pursuing our long-term strategy and growth initiatives for our Market-Based Businesses, we will concentrate on optimizing the portfolio of contracts in our Contract Operations Group, which will involve strategic decisions around the pursuit of renewals of our current contracts approaching expiration, as well as the sale of certain contracts that fall outside of our strategic focus.

Keystone

In July 2015, we acquired a 95% interest in Water Solutions Holdings, LLC, including its wholly owned subsidiary, Keystone. Keystone is a water service and management solutions company that serves natural gas exploration and production customers in the Appalachian Basin, as well as customers in the municipal water services market. Keystone is primarily focused on customized water transfer, sourcing, recycling and storage services, along with pipeline construction and related O&M services. Keystone operates under master service agreements that are generally shorter term in nature. When the initial term of these agreements expire, they typically renew automatically on an annual basis and generally are cancelable by either party with 30 days prior notice. As of December 31, 2017, Keystone serves approximately 35 customers.

Competition

We face competition in our Market-Based Businesses from a number of service providers, including American States Water Company, Suez North America, and Veolia Environnement S.A. in our Military Services Group, and Pivotal Home Solutions (owned by Southern Company Gas) and HomeServe USA in our Homeowner Services Group. Our Contract Operations Group competes in a highly competitive market in order to secure new O&M contracts, as these contracts are awarded based on a combination of customer relationships, service levels, competitive pricing, references and technical expertise. We also face competition in maintaining existing O&M contracts to which we are a party, as the municipal and industrial fixed term contracts frequently come up for renegotiation and are subject to an open bidding process. Competitors of our Contract Operations Group include Suez North America, Veolia Environnement S.A., Inframark, LLC and Woodard & Curran. Keystone currently faces competition from water service providers that typically provide particular segments of the water management cycle, such as Select Energy Services, Inc., TETRA Technologies, Inc. and Fluid Delivery Solutions, LLC.

Environmental, Health and Safety, and Water Quality Regulation

Our water and wastewater operations, including the services provided by both our Regulated Businesses and Market-Based Businesses, are subject to extensive federal, state and local laws and regulations, and in the case of our Canadian operations, Canadian laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water we deliver to our customers, and the manner in which we collect, treat, discharge, recycle and dispose of wastewater. These regulations include the Safe Drinking Water Act, the Lead and Copper Rule ("LCR"), the Reduction of Lead in Drinking Water Act and the Clean Water Act. We are subject to various federal, state, local and Canadian laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. State PUCs also set conditions and standards for the water and wastewater services we deliver.

Environmental, health and safety, and water quality regulations are complex and change frequently. For example, in 2017, the New Jersey Department of Environmental Protection announced that it would seek to adopt more stringent maximum contaminant levels for perfluorooctoanic acid, or PFOA, and perfluorononanoic acid, or PFNA. The overall trend has been that they have become increasingly stringent over time. As newer or stricter standards are introduced, our capital and operating costs could increase. We incur substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which our operations are subject. In the past, our Regulated Businesses have generally been able to recover the costs associated with compliance; however, this recovery is affected by regulatory lag and the corresponding uncertainties surrounding rate recovery. We estimate that we will make capital expenditures of $96 million during 2018 and $138 million during 2019 for environmental control facilities, which we define for this purpose as any project (or portion thereof) that involves the preservation of air, water or land. We also maintain an environmental program that includes responsible business practices, compliance with environmental laws and regulations, and effective use of natural resources. We believe that our operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

Our operations also involve the use, storage and disposal of hazardous substances and wastes. For example, our water and wastewater treatment facilities store and use chlorine and other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. We also could incur remedial costs in connection with any contamination relating to our operations or facilities or our off-site disposal of wastes. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as the owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although we are not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs. Our facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder. Certain of our subsidiaries are involved in pending legal proceedings relating to environmental matters. See Item 3—Legal Proceedings for additional information.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and man-made chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for approximately 90 contaminants and indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

To help formulate the basis for future regulations, the EPA has the authority to require monitoring for additional, unregulated contaminants under the Unregulated Contaminant Monitoring Rule (the "Rule"). Our laboratory and many of our treatment systems are preparing for the fourth round of testing under the Rule, which will begin in 2018. There are thousands of other chemical compounds that are not regulated, many of which are lacking a testing methodology, occurrence data, health effects information and/or treatment technology. The process of developing new drinking water standards is long and complex, but we actively participate with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Item 1—Business—Research and Development—Emerging Containments for further discussion.

To effect the removal or inactivation of microbial organisms, the EPA has established various rules to improve the disinfection and filtration of drinking water and to reduce consumers' exposure to disinfectants and by-products of the disinfection process. In 2006, the EPA issued the Long-Term 2 Enhanced Surface Water Treatment Rule and the Stage 2 Disinfectants and Disinfection Byproduct Rule and, later in 2006, finalized the Ground Water Rule, applicable to systems providing water from underground sources. In 2016, the revised Total Coliform Rule implemented a "find and fix" process where exceeding bacterial trigger levels requires an assessment to correct any sanitary defects. We are within the EPA's time frame for compliance of these standards, which includes sample collection, data analysis, engineering planning and system implementation. Recent monitoring under the Long-Term 2 Rule has resulted in the need for more than 30 of our surface water systems to provide additional protection against cryptosporidium. In most cases, this will involve installing UV disinfection at an estimated cost ranging from $150 million to $250 million. Further, the EPA is actively considering regulations for a number of contaminants, including strontium, hexavalent chromium, fluoride, nitrosamines, perchlorate, some pharmaceuticals and certain volatile organic compounds. We do not anticipate that any such regulations, if enacted, will require implementation in 2018.

Across the Company, we conduct over one million water quality tests each year at our laboratory facilities and plant operations, including continuous on-line instrumentations such as monitoring turbidity levels, disinfectant residuals and adjustments to chemical treatment based on changes in incoming water. We participate in the Partnership for Safe Water, the EPA's voluntary program to meet more stringent goals for reducing microbial contaminants. With 68 of our 72 surface water treatment plants receiving the EPA program's "Director" award, which recognizes utilities that: (i) have completed a comprehensive self-assessment report; (ii) created an action plan for continuous improvement; and (iii) produced high quality drinking water, we account for approximately one-third of the plants receiving such awards nationwide. In addition, 66 of our surface water treatment plants have received the "Five-Year Phase III" award, 61 plants have received the "Ten-Year Phase III" award and 54 plants have received the "Fifteen-Year Phase III" award; these awards recognize plants that have met the Director award status for five, 10 and 15 years, respectively. Further, nine of our surface water plants have received the "Presidents" award, which recognizes treatment plants that achieve the Partnership's rigorous individual filter effluent turbidity standards.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, we expect current requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on our operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by the state PUCs as appropriate for inclusion in establishing rates. As a result, we expect to recover the operating and capital costs resulting from these pending or future requirements.

Lead and Copper Rule and Lead in Drinking Water Act

Across the country, there is a renewed focus on the potential risk of lead in drinking water. In 1991, the EPA published the LCR to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The EPA is currently working to develop long-term revisions to the LCR, with a revised draft likely in 2018. It is currently estimated that approximately 5% of our service lines contain lead. We have reviewed our related practices and are working with stakeholders to develop feasible solutions to remove legacy lead from service lines in older neighborhoods. A fundamental step in this effort is the ongoing project to inventory lead service lines across our footprint. Our goal is to replace our lead service lines in most areas over an approximate 10 year time frame, at an estimated cost ranging from $600 million to $1.2 billion. In cases where we are replacing an American Water owned lead service line, our standard approach will be to replace the company-owned portion of the service line, and work with the customer to replace the customer-owned portion of the service line. Replacing the full service line is considered a best practice as advised by the Lead Service Line Replacement Collaborative, an association of leading water industry organizations. The prioritization of this work will depend on several factors, including our planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results and cooperation with our customers with respect to the customer-owned portion of the service line.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to our wastewater collection systems, our operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of penalties, and persistent non-compliance could lead to significant penalties and compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on our operations. From time to time, discharge violations occur at our facilities, some of which result in fines. We do not expect any such violations or fines to have a material impact on our results of operations or financial condition.

Environmental, Social Responsibility and Governance

Integrating environmental, social responsibility and governance ("ESG") policies and practices into our daily operations emphasizes our belief that the only way to do business is to do it responsibly, by delivering value to our customers, building strong communities, leveraging innovation to develop our industry and supporting the expertise and dedication of our people. This focus is derived from our vision statement, "clean water for life", and our core values: (i) safety; (ii) trust; (iii) environmental leadership; (iv) teamwork; and (v) high performance, the principles by which we work and live. Our vision and values drive our company strategy, which is centered on five central themes:

- Customers—Our customers are at the center of everything we do, helping us to shape our strategic priorities. We challenge ourselves so that if our regulated utility customers had a choice of providers, we would want them to choose us.
- Safety—The safety of our employees and our customers is the number one focus for American Water.
- People—Maintaining an environment which is open, diverse and inclusive, and where our people feel valued, included and accountable is critical to our ability to serve our customers every day.
- Technology and Operational Efficiency—Our technology and operational efficiency strategy helps us to continually find better and more efficient ways to do business and provide the best services at affordable costs for our customers.
- Growth—We believe that when companies grow, they can invest more in creating stable jobs, training, benefits, infrastructure and our communities. Growth, in turn, benefits all stakeholders.

In 2017, we issued our fourth biennial Corporate Responsibility Report, covering our performance in 2015 to 2016. Our first report was issued in 2011, making us the first large water services company to measure its performance against the Global Reporting Index. In addition, our sustainability practices have supported our inclusion in the Dow Jones Sustainability North America Index in 2012, 2013 and 2015, and we have also maintained our position in the Euronext Vigeo® U.S. 50 index, which includes the 50 most advanced companies in the nation with respect to their environmental, social and governance performance, based on a review of hundreds of indicators.

Highlights of our commitment to our ESG policies and practices, many of which are detailed in our most recent Corporate Responsibility Report, are summarized below:

Environmental

- Expect to spend between $8.0 billion and $8.6 billion on capital investments from 2018 to 2022, including:
  - $7.2 billion for regulated capital expenditures to address aging infrastructure, reduce/eliminate leaks, improve cyber/physical security, and increase resiliency of critical assets to climate variability;
  - $600 million to $1.2 billion to acquire financially distressed municipal water and wastewater systems which tend to have a strong need for capital investment; and
  - $200 million for strategic capital investments with approximately $164 million focused on construction of our new corporate headquarters in Camden, New Jersey, as part of the revitalization effort in this community.
- Lowered our greenhouse gas emissions by approximately 26% since our base year of 2007.

- Reduced water use by 3.5 billion gallons year over year, through our conservation efforts and programs.
- Recycled over 2 billion gallons of water annually and produced reuse water at 30 of our facilities.

Social Responsibility

- On average, more than 60,000 hours of safety training given annually to our employees.
- Achieved top quartile in the water industry for customer satisfaction.

- Increased our annual spend with Tier 1 diverse suppliers to over $385 million.
- More than 4,000 hours of Company-sponsored community service performed annually by our employees.
- Company-sponsored workplace giving campaigns with the United Way and Water For People, as well annual contributions from the American Water Charitable Foundation, focused on supporting employees in their own charitable endeavors, providing support for disaster relief efforts, and providing funding for initiatives related to clean water, conservation, education and community sustainability.
- Over 85% of our job requisitions had a diverse candidate pool, with more than 50% of transfers or promotions filled by minority, female, veteran or disabled individuals.

Governance

- Our Board of Directors is led by an independent, non-executive chairman, and has an average director tenure, including our two new directors, of approximately 6 years.
- Including our two new directors, we have achieved gender parity among the members of the Board of Directors.
- Stock ownership guidelines and retention requirements that align equity ownership of executives and directors with the long-term interests of our stockholders.

Research and Development

Our Research and Development Program

We maintain an industry-leading Research and Development ("R&D") program that is designed to enhance our services, help ensure compliance, and improve quality and operational effectiveness. Our R&D personnel are located in New Jersey and Illinois, the latter housing our quality control and testing laboratory, which supports our R&D activities through testing and analysis. Approximately one-third of our research budget is funded by competitively awarded outside research grants. Such grants reduce the cost of research and allow collaboration with leading national and international researchers. In 2017, we spent $3 million on research in total, including $1 million funded by grants. Spending on research amounted to $4 million, including $1 million funded by grants, in each of 2016 and 2015.

We continue to leverage the Company's expertise and collaborate with the EPA to help establish effective environmental, health and safety, and water quality standards and regulation. This relationship includes the sharing of our research, such as our treatment and distribution system optimization research and our and national water quality monitoring data. Our engagement with the EPA provides us with early insight into emerging regulatory issues and initiatives, thereby allowing us to anticipate and to accommodate our future compliance requirements. We also frequently engage with the Centers for Disease Control and other state environmental agencies. We believe that continued R&D activities are critical for providing safe, reliable and affordable services, as well as maintaining our leadership position in the industry, which provides us with a competitive advantage as we seek additional business with new and existing customers.

Emerging Contaminants

Emerging contaminants include chemicals such as pharmaceuticals, personal care products, pesticides, herbicides and endocrine disrupting compounds, which have been detected in drinking water supplies, for which the risk to the public's health is not fully understood and/or has not been quantified. While these contaminants have been present in our drinking water for as long as they have been in use, technological advances have only recently made it possible to detect many of them. The ability to detect contaminants, even at trace levels, has raised questions among regulators and government agencies, further affecting the public's perception of drinking water quality.

The Chemicals Abstract Service Registry contains over 130 million registered chemicals, with a new substance being produced approximately every 3 seconds from chemical breakdown and reformation. We are continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to our water supply, to act on emerging regulations and new health advisories, and to research the influx of advanced treatment technologies. We maintain state-of-the-art water quality testing equipment and implement new and emerging technologies to help predict and manage potential water supply contamination issues. Examples of our efforts include:

- using our research findings to communicate information to our customers (via a web site) on the actions they can take to manage Legionella (the Centers for Disease Control statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with plumbing systems in large buildings);

- aerial drone testing to detect harmful algal blooms and ultrasonic technology testing to help prevent taste and odor events and to eliminate cyanotoxins before they get to the water treatment plant;

- the implementation of water source assessment tools, including sensors and analytics, to evaluate and track chemical storage and transport through watersheds and to detect source water contamination events; and

- the implementation of activated carbon and biofiltration for the control of emerging contaminants.

Support Services

American Water Works Service Company, Inc. (the "Service Company") is our wholly owned subsidiary that provides support and operational services to the Company's operating subsidiaries. These services are predominantly provided to our Regulated Businesses under contracts that have been approved by PUCs, where necessary, and are also provided to (i) our three Market-Based Businesses organized under American Water Enterprises, Inc., our wholly owned subsidiary ("AWE"), and (ii) Keystone as requested or may be necessary. Services provided by the Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, rates and regulatory support, security, risk management, treasury, water quality and R&D. The Service Company also operates two national customer service centers located in Alton, Illinois and Pensacola, Florida, which provide customer relations, field service and operational support to our Regulated Businesses. Services are provided by the Service Company at cost, enabling our operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

Our security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout our operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for our physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company's information systems. These controls: (i) are aimed at assuring the continuity of business processes that are dependent upon automation; (ii) seek to maintain the integrity of our data; (iii) support regulatory and legislative compliance requirements; and (iv) are aimed at maintaining safe and reliable service to our customers. We engage in partnerships with U.S. federal, state and local law enforcement agencies to coordinate and improve the security of our water delivery systems and to safeguard our water supply and operations.

Employee Matters

As of December 31, 2017, approximately 46% of our workforce was represented by unions, which include 76 collective bargaining agreements with 19 different unions. Additionally, as of December 31, 2017 we had one collective bargaining agreement beyond expiration, affecting approximately 180 employees, all of which are actively working under the terms of the existing agreement, and another collective bargaining agreement in the process of being implemented, affecting approximately 20 employees. During 2018, 20 of our collective bargaining agreements, and our national benefits agreement with most of the labor unions representing employees in our Regulated Businesses, will be expiring in accordance with their terms.

Executive Officers

The following table summarizes the name, age, offices held and business experience for each of our executive officers, as of February 20, 2018:

Name	Age	Office and Experience
Susan N. Story	58	**President and Chief Executive Officer.** Ms. Story has served as President and Chief Executive Officer of the Company since May 2014. Ms. Story served as Senior Vice President and Chief Financial Officer of the Company from April 2013 until May 2014. Prior to joining American Water, she served as President and Chief Executive Officer of Southern Company Services, a subsidiary of Southern Company, from January 2011 until March 2013 and President and Chief Executive Officer of Gulf Power Company, also a subsidiary of Southern Company, from 2003 until December 2010. Since 2008, Ms. Story has served as a member of the board of directors of Raymond James Financial, Inc., a diversified financial services company, and as lead director since 2016. Since January 2017, Ms. Story has also served on the board of directors of Dominion Energy, Inc., a producer and transporter of energy.
Brian Chin	44	**Senior Vice President, Planning and Strategy Integration.** Mr. Chin joined the Company as its Senior Vice President, Planning and Strategy Integration on June 20, 2017. Prior to joining the Company, from May 2013 to April 2017, Mr. Chin served as the lead utility analyst for the North America research function at Bank of America Merrill Lynch. From 2001 to 2013, Mr. Chin worked in Electric Utilities Research at Citigroup. Within that period, Mr. Chin was the global head of Electric Utilities Research for Citigroup.
Deborah A. Degillio	46	**President, AWE.** Ms. Degillio has been President of AWE since May 2016. From January 2015 to May 2016, Ms. Degillio served as the Company's Vice President and Treasurer. Prior to that time, Ms. Degillio served as Vice President of Finance of AWE from November 2013 to February 2015, as a Vice President in the Company's

Finance team for its Eastern Division from June 2009 until October 2013, and as Director of Financial Planning and Analysis for American Water's then Western states, from April 2007 until May 2009.

Name	Age	Office and Experience
Melanie M. Kennedy	44	**Senior Vice President, Human Resources.** Since March 1, 2017, Ms. Kennedy has served as the Company's Senior Vice President, Human Resources. From August 2014 until February 2017, Ms. Kennedy served as Vice President, Human Resources of the Company, and from August 2012 to August 2014, she served as Director, Human Resources in our Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
Walter J. Lynch	55	**Executive Vice President and Chief Operating Officer.** Mr. Lynch has over 20 years of experience in the water and wastewater industry. Mr. Lynch has served as the Company's Executive Vice President and Chief Operating Officer since January 2016, as Chief Operating Officer of Regulated Operations from February 2010 to December 2015, and President of Regulated Operations from July 2008 to December 2015. Mr. Lynch joined us in 2001. Mr. Lynch is on the Board of Directors of the National Association of Water Companies and serves on its Executive Committee. In addition, Mr. Lynch also serves on the Water Research Foundation Board of Trustees.
Bradley A. Okoniewski	51	**Vice President, Safety and Environmental Leadership**. Mr. Okoniewski joined the Company on May 1, 2017 as its Vice President, Safety and Environmental Leadership. Prior to that, from April 2016 to May 2017, Mr. Okoniewski served as the global environmental, occupational health and safety director for Campbell Soup Company, a publicly-traded consumer products company based in Camden, New Jersey. Prior to that, Mr. Okoniewski served as the global director, safety, health and environmental affairs for Carpenter Technology Company, a publicly-traded specialty metals company based in Philadelphia, Pennsylvania, from February 2013 to March 2016.
Michael A. Sgro	59	**Executive Vice President, General Counsel and Secretary.** Mr. Sgro has over 20 years of experience in the water and wastewater industry. He has served as the Company's Executive Vice President, General Counsel and Secretary since January 1, 2016 and its Senior Vice President, General Counsel and Secretary from February 2015 to January 2016. Prior to that, he served as the Company's Interim General Counsel and Secretary from January 2015 until February 2015 and as Vice President, General Counsel and Secretary of American Water's Northeast Division beginning in 2002.
Linda G. Sullivan	54	**Executive Vice President and Chief Financial Officer.** Ms. Sullivan has served as the Company's Executive Vice President and Chief Financial Officer since January 1, 2016 and the Company's Senior Vice President and Chief Financial Officer from May 2014 to December 31, 2015. Prior to joining American Water, Ms. Sullivan served as the Senior Vice President and Chief Financial Officer of Southern California Edison Company, a subsidiary of Edison International, from July 2009 until May 2014, and Vice President and Controller of both Edison International and Southern California Edison Company, from July 2004 until July 2009. Ms. Sullivan is a Certified Public Accountant (inactive) and a Certified Management Accountant. On April 27, 2017, Ms. Sullivan was elected to the Board of Directors of NorthWestern Corp. and serves on its Audit Committee. In addition, Ms. Sullivan serves on the board of directors of University of Maryland University College Ventures and on its Audit & Finance Committee and is a member of the EPA's Finance Advisory Board.
Radhakrishnan Swaminathan	56	**Senior Vice President, Chief Technology and Information Officer.** Mr. Swaminathan has served as Senior Vice President, Chief Technology and Innovation Officer of the Company since November 1, 2017. Mr. Swaminathan joined the Company in March 2016 as our Chief Technology and Innovation Officer. Prior to that, from October 2012 through February 2016, he served as Vice President and Chief Technology Officer, Energy, Natural Resources and Utilities, of WIPRO Technologies. Prior to that, he served as the Director of Smart Grid Technologies at NextEra Energy, Inc. from January 2009 through September 2012.
Loyd "Aldie" Warnock	58	**Senior Vice President of External Affairs and Business Development.** Mr. Warnock has served as the Company's Senior Vice President of External Affairs and Business Development since August 1, 2017. From April 2014 to July 31, 2017, Mr. Warnock served as the Company's Senior Vice President of External Affairs, Communications and Public Policy. Prior to joining the Company, he served as Senior Vice President of External Affairs at Midwest Independent System Operator, Inc., a non-profit, self-governing organization, from March 2011 to April 2014. Prior to that, he served as Vice President of External Affairs for Allegheny Energy, Inc. from December 2005 to February 2011 and Senior Vice President of Governmental and Regulatory Affairs at Mirant Corporation from July 2004 to November 2005. Mr. Warnock serves on the Board of Directors of the National Association of Water Companies and on the Executive Advisory Board of the Mississippi State University College of Business.
Melissa K. Wikle	52	**Vice President and Controller.** Ms. Wikle joined the Company in July 2016 as its Vice President and Controller, and assumed the duties of the Company's principal accounting officer in August 2016. Prior to joining the Company, Ms. Wikle served as Corporate Controller and Chief Accounting Officer of Columbus McKinnon Corporation, a publicly-traded worldwide designer, manufacturer and marketer of material handling products, systems and services, since April 2011. Ms. Wikle is a Certified Public Accountant.
Charles Witherspoon	50	**Vice President and Treasurer.** Mr. Witherspoon has served as the Company's Vice President and Treasurer since February 14, 2018 and has over 24 years of collective experience in corporate treasury, marketing, finance and audit roles. Mr. Witherspoon joined the Company in January 2016 as its Assistant Treasurer. Prior to joining the Company, Mr. Witherspoon served as Vice President of Finance and Corporate Treasurer of Church & Dwight Co., Inc., a publicly-traded packaged goods company, from December 2007 to January 2016. Before that, Mr. Witherspoon held finance and treasury roles for Johnson & Johnson and FMC Corporation. Mr. Witherspoon is a Certified Public Accountant and a Certified Treasury Professional.

Each executive officer is elected annually by the Board of Directors and serves until his or her respective successor has been elected and qualified or his or her earlier death, resignation or removal.

Available Information

We are subject to the reporting requirements of the Exchange Act. We file or furnish annual, quarterly and current reports, proxy statements and other information with the SEC. You may obtain a copy of our annual reports on Form 10-K, our quarterly reports on Form 10-Q or our current reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Investor Relations section of our website, *http://ir.amwater.com,* as soon as reasonably practicable after we file or furnish the information to the SEC. Information contained on our website shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. We recognize our website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with our disclosure obligations under SEC Regulation FD.

The American Water corporate governance guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding our corporate governance, are available on our Investor Relations website, *http://ir.amwater.com,* and will be made available, without charge, in print to any stockholder who requests such documents from our Investor Relations Department, American Water Works Company, Inc., 1025 Laurel Oak Road, Voorhees, NJ, 08043.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Form 10-K, the following factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our utility operations are subject to extensive economic regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our utility operations also may be subject to fines, penalties and other sanctions for the inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to economic regulation by state PUCs. Economic regulation affects the rates we charge our customers and has a significant impact on our business and results of operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request to an extent that is sufficient to:

- cover our expenses, including purchased water and costs of chemicals, fuel and other commodities used in our operations;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval of the PUCs is also required in connection with other aspects of our utilities' operations. Some state PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Our utilities are also required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if rates are sufficient, we face the risk that we will not achieve the rates of return on our invested capital to the extent permitted by state PUCs. This could occur if certain conditions exist, including but not limited to, if water usage is less than the level anticipated in establishing rates, or if our investments or expenses prove to be higher than the level estimated in establishing rates.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to emerging contaminants, compliance with which could impact our operating costs, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our water and wastewater operations and the operations of our Market-Based Businesses are subject to extensive federal, state and local laws and regulations and, in the case of our Canadian operations, Canadian laws and regulations that govern the protection of the environment, health and safety, the quality of the water we deliver to our customers, water allocation rights, and the manner in which we collect, treat, discharge and dispose of wastewater. These requirements include CERCLA, the Clean Water Act and the Safe Drinking Water Act, and similar state and Canadian laws and regulations. For example, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

In addition, state PUCs also set conditions and standards for the water and wastewater services we deliver. If we deliver water or wastewater services to our customers that do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves supplying water for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations, and their enforcement, generally have become more stringent over time, and new or stricter requirements could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity.

We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination at our properties, including potential spills of hazardous chemicals, such as chlorine, which we use to treat water, or at off-site locations where we have disposed of waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to emerging contaminants, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of emerging contaminants include, but are not limited to, newly created chemical compounds (including, for example, perfluorinated compounds and manufactured nanomaterials); human and veterinary products; microbes, viruses, amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants. Our role is to meet or surpass those standards, when established. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for an emerging contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which emerging contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe emerging contaminants may form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies as a result of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams and groundwater aquifers, are held in the public trust and are not owned by private interests. As a result, we typically do not own the water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities. Passing-flow requirements set minimum volumes of water that must pass through specified water sources, such as rivers and streams, in order to maintain environmental habitats and meet water allocation rights of downstream users. Allocation rights are imposed to ensure sustainability of major water sources and passing-flow requirements are most often imposed on source waters from smaller rivers, lakes and streams. These requirements, which can change from time to time, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with an October 20, 2009 cease and desist order (the "2009 Order"), as amended by an order in July 2016 (the "2016 Order"), of the SWRCB that requires Cal Am to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminates on December 31, 2021 (the "2021 Deadline"). We are also required to augment our Monterey County sources of water supply to comply with the requirements of the Endangered Species Act. We cannot predict whether Cal Am will be able to secure alternative sources of water, or if Cal Am will be exposed to liabilities if it is unable to meet the 2021 Deadline under the 2009 Order and the 2016 Order. If Cal Am or any of our other subsidiaries are unable to secure an alternative source of water, or if other adverse consequences result from the events described above, our business, financial condition, results of operations and cash flows could be adversely affected. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter.

The current regulatory rate setting process may result in a significant delay, also known as "regulatory lag," from the time that we invest in infrastructure improvements, incur increased operating expenses or experience declining water usage, to the time at which we can seek to address these events in rate case applications; our inability to minimize regulatory lag could adversely affect our business.

There is typically a delay, known as "regulatory lag," between the time one of our regulated subsidiaries makes a capital investment or incurs an operating expense increase and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water usage in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to reduce this regulatory lag could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to reduce regulatory lag by pursuing constructive regulatory policies. For example, ten of our state PUCs permit rates to be adjusted outside of the rate case application process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC approved rates. Furthermore, in setting rates, nine of our state PUCs allow us to use future test years, which extend beyond the date a rate request is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such programs include states that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or power, conservation, chemical or other expenditures. These surcharge mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under the rate case application process.

While these programs have reduced regulatory lag in several of our regulated states, we continue to seek expansion of programs to reduce regulatory lag in those jurisdictions that have not approved such programs. Furthermore, PUCs may fail to adopt new surcharge programs and existing programs may not continue in their current form, or at all. Although we intend to continue our efforts to expand state PUC approval of surcharges to address issues of regulatory lag, our efforts may not be successful, or even if successful they may not completely address our regulatory lag, in which case our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations and changes in certain agreements can significantly affect our business, financial condition, results of operations, cash flows and liquidity.

New legislation, regulations, government policies or court decisions, including without limitation with respect to federal and state income and other tax laws, can materially affect our operations, results of operations and cash flows. The individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes in the individuals who serve as regulators and the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to raise our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets or issue securities, or making it less cost-effective for us to do so;
- negatively impacting the deductibility of expenses under federal or state tax laws, the amount of tax credits or tax abatement benefits that may be available, the amount of taxes owed, or the ability to utilize our net operating loss carryforwards;
- changing regulations that affect the benefits we expected to receive when we began offering services in a particular area;
- increasing the costs associated with complying with environmental, health, safety and water quality regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of the certificates of public convenience and necessity (or similar authorizations) issued to us by state PUCs.

Any of the foregoing consequences could have an adverse effect on our business, financial condition, results of operations, cash flows and liquidity.

In addition, new Federal, state and local laws, changes in existing laws, rules or regulations, or administrative interpretations thereof, could impact us. On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the maximum U.S. federal corporate income tax rate from 35% to 21% as of January 1, 2018, and certain other provisions related specifically to the public utility industry, including continuation of interest expense deductibility, the exclusion from utilizing bonus depreciation and the normalization of deferred income taxes. The enactment of the TCJA required a re-measurement of our deferred income taxes that materially impacted our 2017 results of operations and financial position. We have assumed that the predominant majority of our deferred tax assets and liabilities at our utility subsidiaries will remain subject to a normalization method of accounting pursuant to the U.S. tax code or applicable PUC regulations and that we will be able to deduct for U.S. federal corporate income tax purposes substantially all of our interest expense, based upon our interpretation of U.S. tax law debt allocation methodologies , at the TCJA's 21% corporate tax rate. The adoption or issuance of any Related Interpretations that impact these assumptions or with respect to provisions related specifically to the public utility industry or to corporate taxpayers in general may also impact our future financial performance, including our results of operations, cash flows and liquidity, which impacts will largely be determined through future regulatory proceedings. All of our 14 jurisdictions subject to economic regulation have opened formal proceedings related to the TCJA, and we have open rate cases in three of them. At this time, we cannot predict the impacts of any Related Interpretations, if and when issued, on us, or the regulatory treatment of the TCJA in each of our regulatory jurisdictions. Moreover, we are unable to determine or predict the potential impacts, if any, of any other new or amended laws, rules or regulations, or interpretations thereof, to the extent they may be ultimately enacted, adopted or issued, on us or our businesses, financial condition, results of operations, cash flows and liquidity.

Service disruptions caused by severe weather conditions, climate variability patterns or natural disasters may disrupt our operations or reduce the demand for our water services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and other natural events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, wildfires, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, severe electrical storms and solar flares. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal drought conditions that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. As examples, drought conditions had persisted in California over a five-year period, and had been declared in New Jersey in 2016. In 2017, these droughts were declared concluded, but other droughts that may occur from time to time may result in the imposition of voluntary or mandatory water use targets, rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot assure that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after drought restrictions are repealed and the drought has ended, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention worldwide. Some scientific experts are predicting a worsening of weather volatility in the future associated with climate variability. Many climate variability predictions, if true, present several potential challenges to water and wastewater utilities, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- challenges associated with changes in temperature or increases in ocean levels;
- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in disruptions in service;

- increased costs to repair damaged facilities; or

- increased costs to reduce risks associated with the increasing frequency of natural events, including to improve the resiliency and reliability of our water production and delivery facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Although some or all potential expenditures and costs with respect to our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that state PUCs would authorize rate increases to enable us to recover such expenditures and costs, in whole or in part.

A loss of one or more large industrial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions or other factors can cause our customers, particularly industrial customers, to curtail operations. A curtailment of operations by an industrial customer would typically result in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these industrial customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2017, we invested $1.4 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will likely increase in the future. We expect to fund capital improvement projects using cash generated from operations, borrowings under our revolving credit facility and commercial paper programs and issuances of long-term debt. We may not be able to access our revolving credit facility or the commercial paper, long-term debt and equity capital markets, when necessary or desirable to fund capital improvements on favorable terms or at all. If we are not able to obtain sufficient financing, we could be unable to maintain our existing property, plant and equipment, fund our capital investment strategies, meet our growth targets and expand our rate base to enable us to earn satisfactory future returns on our investments. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, or other obstacles. Each of these outcomes could adversely affect our financial condition, results of operations and cash flows.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues.

Three of our jurisdictions, California, Illinois and New York, have adopted revenue stability mechanisms, which permit us to collect state PUC-authorized revenue for a given period which is not tied to the volume of water sold during that period. Revenue stability mechanisms are designed to allow utilities to recover the fixed cost of operations while supporting water conservation goals. In those jurisdictions that have not adopted a revenue stability mechanism, operating results could continue to be affected by seasonality.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from man-made sources (such as perchlorate, methyl tertiary butyl ether, lead and other materials, chemical spills or other accidents that result in contaminants entering the water source), and possible terrorist attacks. In addition, new categories of these substances continue to emerge in the water treatment industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) continuing limited use of the water supply under a "Do Not Use" protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms. Any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies.

In this regard, on January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances into the Elk River near the West Virginia-American Water Company ("WVAWC") treatment plant intake in Charleston, West Virginia. On September 21, 2017, the U.S. District Court for the Southern District of West Virginia granted preliminary approval of a settlement class and proposed global class action settlement (the "Settlement") of claims involving WVAWC and its affiliates arising out of the Freedom Industries chemical spill. Under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia (the "PSC") for the amounts paid by WVAWC, net of insurance recoveries, under the Settlement. See Item 3—Legal Proceedings—West Virginia Elk River Freedom Industries Chemical Spill, which includes additional information regarding this matter.

Since we engage in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur, and we may not be protected from these claims or negative impacts therefrom in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances in the water or water supplies. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage as part of our overall legal and risk management strategy to minimize potential liabilities arising from our utility operations, as well as the operations of our Market-Based Businesses. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage or for which we are self-insured.

Although in the past we have been generally able to cover our insurance needs, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or other sanctions.

Water and wastewater utilities, including our regulated subsidiaries and our Market-Based Businesses, have a large direct and indirect customer base and as a result are exposed to public criticism regarding, among other things, the reliability of their water, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our agreements related to our Market-Based Businesses, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 80 dams, a failure of any of which could result in personal injury and downstream property damage for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases, the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes and storage systems located across the United States. A failure of major pipes or reservoirs could result in injuries and property damage for which we may be liable. The failure of major pipes and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, that may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition of water and wastewater systems in order to broaden our current, and move into new, service areas. We may not be able to acquire other businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. Further, competition for acquisition opportunities from other regulated utilities, governmental entities, and other buyers may hinder our ability to expand our business.

The negotiation of potential acquisitions as well as the integration of acquired businesses with our existing operations could require us to incur significant costs and cause diversion of our management’s time and resources. Future acquisitions by us could result in, among other things:

- incurrence or assumption of debt, contingent liabilities and environmental liabilities of or with respect to an acquired business, including liabilities that were unknown at the time of acquisition;

- failure to recover acquisition premiums;
- unanticipated capital expenditures;

- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly results;
- unanticipated acquisition-related expenses;
- failure to realize anticipated benefits, such as cost savings and revenue enhancements; and
- difficulties in assimilating personnel, benefits, services and systems.

Some or all of these items could have a material adverse effect on our business. The businesses we acquire in the future may not achieve anticipated sales and profitability, and any difficulties we encounter in the integration process could interfere with our operations, reduce our operating margins and adversely affect our internal control over financial reporting.

We compete with governmental entities, other regulated utilities, and strategic and financial buyers for acquisition opportunities. If consolidation becomes more prevalent in the water and wastewater industries and competition for acquisitions increases, the prices for suitable acquisition candidates may increase and limit our ability to expand through acquisitions.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. Should a municipality or other government subdivision or a citizen group seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition, we may resist the acquisition.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate, including, for example, California, provide for eminent domain rights allowing private property owners to seek just compensation against a public utility if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. These actions have occurred in connection with events such as floods, mudslides and debris flow, broken water mains, landslides and wild and brush fires.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management of affected Regulated Businesses from the operation of those businesses. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We rely on technology systems to facilitate the management of our business and customer and supplier relationships, and a disruption of these systems could adversely affect our business.

Our technology systems, particularly our operational technology and IT systems, are an integral part of our business, and any disruption of these systems could significantly limit our ability to manage and operate our business efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. For example, we depend on these systems to bill customers, process orders, provide customer service, manage certain plant operations and construction projects, manage our financial records, track assets, remotely monitor certain of our plants and facilities and manage human resources, inventory and accounts receivable collections. These systems also enable us to purchase products from our suppliers and bill customers on a timely basis, maintain cost-effective operations and provide service to our customers.

Although we do not believe that these systems are at a materially greater risk of failure or cybersecurity incidents than other similar organizations, our operational technology and IT systems remain vulnerable to damage or interruption from:

- power loss, computer systems failures, and internet, telecommunications or data network failures;
- operator error or improper operation by, or the negligent or improper supervision of, employees and contractors;

- physical and electronic loss of customer or employee data due to security breaches, cyber attacks, misappropriation and similar events;
- computer viruses;
- intentional security breaches, hacking, denial of services actions, misappropriation of data and similar events; and
- severe weather and other events, including without limitation, hurricanes, tornadoes, fires, floods, earthquakes and other disasters.

These events may result in physical and electronic loss of customer, employee or financial data, security breaches, misappropriation and other adverse consequences. In addition, a lack of or inadequate levels of redundancy for certain of these systems, including billing systems, could exacerbate the impact of any of these events on us. We may not be successful in developing or acquiring technology that is competitive and responsive to the needs of our business, and we might lack sufficient resources to make the necessary upgrades or replacements of outdated existing technology to enable us to continue to operate at our current level of efficiency.

We may be subject to physical and/or cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and/or cyber attacks. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber acts of war or terrorism, vandalism or other causes. Our operational technology and IT systems throughout our businesses may be vulnerable to unauthorized access due to hacking, viruses, acts of war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our customers, employees, suppliers and other third parties. While we have instituted certain safeguards to protect our operational technology and IT systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; experience substantial loss of revenues, response costs and other financial loss; suffer a loss of management time, attention and resources from our regular business operations; and be subject to increased regulation, litigation, and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs. Losses resulting from a physical or cyber attack against us or our operations or assets may not be covered by, or may exceed the coverage provided by, applicable insurance policies.

In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that could be targets of cyber attacks. Any theft, loss and/or fraudulent use of customer, employee or proprietary data as a result of a cyber attack could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

Our inability to efficiently upgrade and improve our operational technology and IT systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We continue to implement technology to improve our business processes and customer interactions, and have installed new, and upgraded existing, technology systems. These efforts support our broader strategic initiatives and are intended to improve our operations and enhance our customer service capabilities. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Our business has inherently dangerous workplaces. If we fail to maintain safe work sites, we may experience workforce injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Our safety record is critical to our reputation. We maintain health and safety standards to protect our employees, customers, contractors, vendors and the public. Although we intend to adhere to such health and safety standards and aim for zero injuries, it is extremely difficult to avoid accidents at all times.

Our business sites, including construction and maintenance sites, often put our employees, contractors and others in close proximity with large pieces of equipment, moving vehicles, pressurized water, underground trenches and vaults, chemicals and other regulated materials. On many sites we are responsible for safety and, accordingly, must implement safety procedures. If we fail to implement such procedures or if the procedures we implement are ineffective or are not followed by our employees or others, our employees, contractors and others may be injured or die. Unsafe work sites also have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the handling and storage of hazardous chemicals, which, if improperly handled, stored or disposed of, could subject us to penalties or other liabilities. We are also subject to regulations dealing with occupational health and safety. Although we maintain functional employee groups whose primary purpose is to ensure we implement effective health, safety, and environmental work procedures throughout our organization, including construction sites and maintenance sites, the failure to comply with such regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations.

As of December 31, 2017, approximately 46% of our workforce was represented by unions, and we had 76 collective bargaining agreements in place with 19 different unions representing our unionized employees. These collective bargaining agreements, including 35 which expired in 2017, and 20 which will expire during 2018, are subject to periodic renewal and renegotiation. Moreover, our national benefits agreement with most of the labor unions that represent employees in our Regulated Businesses expires on July 31, 2018 and will be renegotiated during 2018. We may not be able to successfully renew or renegotiate these labor contracts on terms that are fair to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations and result in higher labor costs, which could adversely affect our financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Our continued success is dependent upon our ability to hire, retain, and utilize qualified personnel.

The success of our business is dependent upon our ability to hire, retain, and utilize qualified personnel, including engineers, licensed operators, water quality and other operating and craft personnel, and management professionals who have the required experience and expertise. From time to time, it may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded for our business needs. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire and retain qualified personnel.

In addition, as some of our key personnel approach retirement age, we need to have appropriate succession plans in place and to successfully implement such plans. If we cannot attract and retain qualified personnel or effectively implement appropriate succession plans, it could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Financial and Market-Related Risks

Our indebtedness could affect our business adversely and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2017, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $7.7 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our

debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;

- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and

- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

In order to meet our capital expenditure needs, we may be required to make additional borrowings under our revolving credit facility or issue new short-term and long-term debt securities. Moreover, additional borrowings may be required to refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2018, 2019 and 2020 will be $322 million, $170 million and $51 million, respectively. We can provide no assurance that we will be able to access the debt capital markets on favorable terms, if at all. Moreover, if new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to refinance existing debt on favorable terms.

In an attempt to manage our exposure to interest rate risk associated with our issuance of variable and fixed-rate debt, we have entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps, swaptions and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly "mark to market" valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

We will depend primarily on cash flows from operations to fund our expenses and to pay the principal and interest on our outstanding debt. Therefore, our ability to pay our expenses and satisfy our debt service obligations depends on our future performance, which will be affected by financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other factors largely beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected adversely.

Our inability to access the capital or financial markets or other events could affect our ability to meet our liquidity needs at reasonable cost and our ability to meet long-term commitments, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, we rely primarily on our revolving credit facility, commercial paper programs, and the capital markets to satisfy our liquidity needs. In this regard, our principal external sources of short-term liquidity are our $1.6 billion commercial paper program and our $1.75 billion revolving credit facility. Our revolving credit facility expires in accordance with its terms in June 2020. We regularly use our commercial paper program under this revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally can obtain in the commercial paper market. As of December 31, 2017, American Water Capital Corp. ("AWCC"), our wholly owned financing subsidiary, had no outstanding borrowings under the revolving credit facility, and had $905 million of commercial paper outstanding and $84 million in outstanding letters of credit. There can be no assurance that AWCC will be able to continue to access its commercial paper program or its revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

Under the terms of our revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the credit facility. If our equity were to decline or debt were to increase to a level that caused our debt to exceed this limit, lenders under the credit facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt under the credit facility immediately due and payable. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility.

Our ability to comply with this and other covenants contained in the revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our stockholders to complete.

Disruptions in the capital markets or changes in our credit ratings could also limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in our revolving credit facility have met all of their obligations, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. These or other occurrences may cause our lenders to not meet their existing commitments, and we may not be able to access the commercial paper or loan or debt markets in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under this facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Longer term disruptions in the capital and credit markets as a result of uncertainty, including as a result of changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the liquidity needed for our business. Any significant disruption in the capital, debt or credit markets, or financial institution failures could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures.

Any of the foregoing events that impede our access to the capital markets, or the failure of any of our lenders to meet their commitments that result from financial market disruptions, could expose us to increased interest expense, require us to institute cash conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity.

American Water may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds to American Water.

American Water is a holding company and, as such, American Water has no operations of its own. Substantially all of our consolidated assets are held by subsidiaries. American Water's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends to American Water or repay indebtedness to American Water. Prior to paying dividends to American Water, American Water's regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and covenants and other agreements made or entered into by American Water and its subsidiaries. American Water's subsidiaries are separate legal entities and have no obligation to pay dividends to American Water. A failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on American Water's liquidity and its ability to pay dividends on its common stock and meet its other obligations.

We may not be able to fully utilize our U.S. and state net operating loss carryforwards.

As of December 31, 2017, we had U.S. federal and state NOL carryforwards of approximately $1.05 billion and $322 million, respectively, and management believes it is more likely than not that these NOL carryforwards will be recovered in the future. With the enactment of the TCJA, the Company analyzed the impacts of the reduction in the U.S. federal corporate income tax rate from 35% to 21% on the Company's deferred tax assets and liabilities, including its NOL carryforwards, and as a result, remeasured those NOL carryforwards as of the date of enactment of the TCJA based on this tax rate change.

Our federal NOL carryforwards will begin to expire in 2028, and our state NOL carryforwards will begin to expire in 2018 through 2037. Our ability to utilize our NOL carryforwards is primarily dependent upon our ability to generate sufficient taxable income. We have, in the past, been unable to utilize certain of our state NOL carryforwards, and the establishment or increase of a valuation allowance in the future would reduce our deferred income tax assets and our net income.

Our actual results may differ from those estimated by management in making its assessment as to our ability to use the NOL carryforwards. Moreover, adoption of Related Interpretations with respect to the TCJA and other changes in income tax laws, the economy and the general business environment could affect the future utilization of our NOL carryforwards. If we are unable to fully utilize our NOL carryforwards to offset taxable income generated in the future, our financial position, results of operations and cash flows could be materially adversely affected.

We have recorded a significant amount of goodwill, and we may never realize the full value of our intangible assets, causing us to record impairments that may negatively affect our results of operations.

Our total assets include $1.4 billion of goodwill at December 31, 2017. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003 and the acquisition of E'town Corporation by a predecessor to our previous owner in 2001, and, to a lesser extent, the acquisition of Keystone in 2015. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or

more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, we have taken significant non-cash charges to operating results for goodwill impairments in the past.

We may be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance or the performance of an acquired business. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or, with respect to Keystone, fluctuations in the level of exploration and production activities in the Marcellus and Utica shale regions served by Keystone, a prolonged depression of natural gas prices or other factors that negatively impact our current or future forecasts of operating results, cash flows or key assumptions. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill would result in a charge to income in the period in which the impairment occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

Market conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations, which may cause investment returns to fall below our projected return rates. A decline in the market value of the pension and postretirement benefit plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. If interest rates decrease, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in demographics, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected.

In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that market data compels us to reduce the discount rate used in our assumptions, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flow and financial condition.

Our Consolidated Financial Statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flow and financial condition. We could be required to apply a new or revised standard retroactively, which could adversely affect our results of operations, cash flow and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. Such compliance permits us to, among other things, disclose and report financial and other information in connection with the recovery of our costs and with the reporting requirements under federal securities, tax and other laws and regulations.

We have implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and relevant SEC rules, as well as other applicable regulations. Such internal controls and policies have been and continue to be closely monitored by our management and Board of Directors to ensure continued compliance with these laws, rules and regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated and unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and noncompliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also increase

financing costs or could also adversely affect our or AWCC's ability to access the capital markets.

Additional Risks Related to Our Market-Based Businesses

We (excluding our regulated subsidiaries) provide performance guarantees with respect to certain obligations of our Market-Based Businesses, including financial guarantees or deposits, to our public-sector and public clients, and these clients may seek to enforce the guarantees if our Market-Based Businesses do not satisfy these obligations.

Under the terms of some of our agreements for the provision of services to water and wastewater facilities with municipalities, other governmental entities and other customers, American Water (excluding our regulated subsidiaries) provides guarantees of specified performance obligations of our Market-Based Businesses, including financial guarantees or deposits. In the event our Market-Based Businesses fail to perform these obligations, the entity holding the guarantees may seek to enforce the performance commitments against us or proceed against the deposit. In that event, our financial condition, results of operations, cash flows, and liquidity could be adversely affected.

At December 31, 2017, we had remaining performance commitments as measured by remaining contract revenue totaling approximately $3.6 billion, and this amount is likely to increase if our Market-Based Businesses expand. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

AWE's operations are subject to various risks associated with doing business with the U.S. government.

We enter into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to redetermination two years after commencement of operations and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. Any early contract termination or unfavorable price redetermination could adversely affect our financial condition, results of operations and cash flows.

Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or barred from bidding on or receiving awards of new contracts with the U.S. government, which could have a material adverse effect on our results of operations and cash flows.

AWE operates a number of water and wastewater systems under O&M contracts and faces the risk that the owners of those systems may fail to provide capital to properly maintain those systems, which may negatively affect AWE as the operator of the systems.

AWE operates a number of water and wastewater systems under O&M contracts. Pursuant to these contracts, AWE operates the system according to the standards set forth in the applicable contract, and it is generally the responsibility of the owner of the system to undertake capital improvements. In some cases, AWE may not be able to convince the owner to make needed improvements in order to maintain compliance with applicable regulations. Although violations and fines incurred by water and wastewater systems may be the responsibility of the owner of the system under these contracts, those non-compliance events may reflect poorly on AWE as the operator of the system and us, and damage our reputation, and in some cases, may result in liability to us to the same extent as if we were the owner.

AWE's Market-Based Businesses are party to long-term contracts to operate and maintain water and wastewater systems under which we may incur costs in excess of payments received.

Some of AWE's Market-Based Businesses enter into long-term contracts under which they agree to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities, which includes specified major maintenance for some of those facilities, in exchange for an annual fee. These Market-Based Businesses are generally subject to the risk that costs associated with operating and maintaining the facilities, including production costs such as purchased water, electricity, fuel and chemicals used in water treatment, may exceed the fees received from the municipality or other contracting party. Losses under these contracts or guarantees may adversely affect our financial condition, results of operations, cash flows and liquidity.

Keystone's operations may expose us to substantial costs and liabilities with respect to environmental laws and matters.

Keystone's operations, and the operation generally of natural gas and oil exploration and production facilities by Keystone's customers, are subject to stringent federal, state and local laws, rules, regulations and ordinances governing the release of materials into the environment or otherwise relating to environmental protection. These provisions may require the acquisition by Keystone of permits or licenses before providing its services to customers, prohibit the release of substances defined thereunder as hazardous in connection with these activities, and impose substantial liabilities for the violation thereof that may result from these operations. Failure to comply with these laws, rules, regulations and ordinances may result in substantial environmental remediation and other costs to Keystone, the assessment of administrative, civil and criminal penalties or the issuance of injunctions restricting or prohibiting certain activities. Under existing environmental laws and regulations, Keystone could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether the release resulted from its operations, or whether its operations were in compliance with all applicable laws at the time they were performed. While we have structured and maintained our ownership and control of Keystone's operations in such a way that we believe should insulate the Company, its regulated subsidiaries and its other Market-Based Businesses from any liabilities associated with Keystone's operations, including liabilities for environmental matters, there can be no assurance that such efforts will be sufficient to prevent the Company from incurring liability for the operations of Keystone.

Changes in environmental laws and regulations occur frequently, and any changes to these or other laws governing the natural gas and oil exploration industry that result in more stringent or costly water or wastewater handling, storage, transport, disposal or cleanup requirements could require Keystone to make significant expenditures to maintain compliance with such requirements, may harm Keystone's business and results of operations by reducing the demand for Keystone's water and related services, and may otherwise have a material adverse effect on Keystone's competitive position, financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our properties consist primarily of: (i) water and wastewater treatment plants; (ii) mains and pipes used for transmission, distribution and collection of water and wastewater; (iii) wells and other sources of water supply, such as reservoirs; (iv) water and wastewater pumping stations; (v) meters and fire hydrants; (vi) general structures, including buildings, dams and treated water storage facilities; (vii) land and easements; (viii) vehicles; (ix) software rights and; (x) other equipment and facilities, the majority of which are used directly in the operation of our systems. Substantially all of our properties are owned by our subsidiaries, with a large percentage subject to liens of our mortgage bonds. We lease our corporate offices, located in Voorhees, New Jersey, equipment and furniture from certain of our wholly owned subsidiaries. These properties are utilized by our directors, officers and staff in the conduct of the business.

The properties of our Regulated Businesses consist mainly of:

- 72 surface water treatment plants;
- 527 groundwater treatment plants;
- 8 combined (surface water and groundwater) treatment plants;
- 127 wastewater treatment plants;
- 50,382 miles of transmission, distribution and collection mains and pipes;
- 1,103 groundwater wells;
- 1,428 water and wastewater pumping stations;
- 1,313 treated water storage facilities; and
- 80 dams.

We have ongoing infrastructure renewal programs in all states in which our Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties of our Market-Based Businesses consist mainly of office furniture and IT equipment, and are primarily located in New Jersey. Approximately 52% of all properties that we own are located in New Jersey and Pennsylvania.

We maintain property insurance against loss or damage to our properties by fire or other perils, subject to certain exceptions. For insured losses, we are self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

We believe that our properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Alternative Water Supply in Lieu of Carmel River Diversions

Under the 2009 Order, Cal Am is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by a 1995 SWRCB order. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving a five-year extension of the deadline to comply with the 2009 Order, to December 31, 2021. In November 2016, the Water Ratepayers Association of the Monterey Peninsula, a citizens' advocacy group, filed an action in Sacramento County Superior Court against the SWRCB and its board members, and naming Cal Am as the real party in interest, seeking to reverse the extension of the 2009 Order, to rescind the designation by the California Public Utilities Commission (the "CPUC") of Cal Am as the public utility water provider to the Monterey Peninsula, and to appoint a receiver to oversee Cal Am's compliance with the 2009 Order, with ultimate transfer to a public entity. In May 2017, Cal Am and the SWRCB filed demurrers to the action, and on June 12, 2017, the court entered an order sustaining those demurrers and dismissing the action with prejudice.

Regional Desalination Project Litigation

The Regional Desalination Project (the "RDP") involved the construction of a desalination facility in the City of Marina, north of Monterey. The RDP was intended to, among other things, eliminate unauthorized diversions from the Carmel River as required under the 2009 Order. In December 2010, the CPUC approved the RDP, which was to be implemented through a Water Purchase Agreement and ancillary agreements (collectively, the "Agreements") among the Marina Coast Water District ("MCWD"), the Monterey County Water Resources Agency ("MCWRA") and Cal Am. In 2011, due to a conflict of interest concerning a former member of MCWRA's Board of Directors, MCWRA stated that the Agreements were void, and, as a result, Cal Am terminated the Agreements. In April 2015, the CPUC approved a settlement agreement among Cal Am, MCWRA and the County of Monterey to resolve these matters among the parties signing the agreement. In March 2016, the Supreme Court of California granted MCWD's petition for review of the CPUC approval, and following the court's disposition of a related issue in another case, MCWD's petition for review of the CPUC-approved settlement agreement was remanded to the CPUC, and remains pending.

In October 2012, Cal Am filed a Complaint for Declaratory Relief against MCWRA and MCWD, which was ultimately transferred to the San Francisco County Superior Court, seeking a determination as to whether the Agreements are void as a result of the alleged conflict of interest. In June 2015, the court entered a final judgment agreeing with Cal Am's position that four of the five Agreements are void, and one, the credit line agreement, is not void. In November 2016, the Supreme Court of California denied MCWD's final appeal of this judgment, which allows further proceedings to determine the amount of damages that may be awarded in the proceeding.

In July 2015, Cal Am and MCWRA filed a Complaint in San Francisco County Superior Court against MCWD and RMC Water and Environment ("RMC"), a private engineering consulting firm, seeking to recover compensatory damages in excess of $10 million associated with the failure of the RDP, as well as punitive and treble damages, statutory penalties and attorneys' fees. Shortly thereafter, complaints seeking similar damages were filed in the same court by MCWD and RMC against Cal Am and MCWRA in excess of $19 million in the aggregate. In December 2015, the court consolidated all of these complaints into a single action, and trial in this matter has been scheduled for June 18, 2018. On December 21, 2017, RMC filed a Motion for Summary Judgment and a hearing on such motion is scheduled for March 15, 2018. On December 6, 2017, MCWD filed a Motion for Judgment on the Pleadings and a hearing on such motion took place on February 2, 2018. On February 5, 2018, the court dismissed Cal Am's and MCWRA's tort law claims against MCWD, and allowed Cal Am leave to amend its breach of contract claims against MCWD. The court's decision does not impact Cal Am's and MCWRA's tort claims against RMC. Cal Am and MCWRA were given until February 19, 2018 to amend their breach of contract claims. Cal Am and MCWRA are considering their responses to the order, including an appeal to the California Court of Appeal.

Monterey Peninsula Water Supply Project

The Water Supply Project is intended to reduce water diversions from the Carmel River and involves construction of a desalination plant, owned by Cal Am, and purchase of water by Cal Am from a groundwater replenishment project (the "GWR Project") between the Monterey Regional Water Pollution Control Agency and the MPWMD. Cal Am's ability to move forward on the Water Supply Project is subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. On January 12, 2017, the CPUC issued a Draft Environmental Impact Report/Environmental Impact Statement. A final report is expected at the end of the first quarter of 2018.

On September 15, 2016, the CPUC unanimously approved a decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated costs, subject to meeting certain criteria. If construction costs exceed $50 million, Cal Am would be allowed to seek additional cost recovery.

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the California Coastal Commission (the "Coastal Commission") approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. The permits would have expired on February 28, 2018, at which time Cal Am would have been required to decommission the test slant well, but because Cal Am could use the test slant well as one of the slant wells for the Water Supply Project, it sought an amendment of its coastal development permits to allow the test slant well to remain in place and be maintained on site until February 28, 2019. The Coastal Commission approved the permit amendment on December 13, 2017. The required lease obtained from the California State Lands Commission (the "State Lands Commission"), as amended, after a two-year extension granted on November 29, 2017, is to expire on December 16, 2019.

On July 13, 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property on which intake wells will be located to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record.

The CPUC held hearings from October 25 through November 3, 2017 on Cal Am's request for a certificate of public convenience and necessity for the Water Supply Project. This request remains pending.

In December 2014, the MCWD and the Ag Land Trust, an agricultural land conservancy, filed petitions against the Coastal Commission and Cal Am, which were ultimately transferred to the Santa Cruz County Superior Court, seeking to vacate the Coastal Commission's approval of the coastal development permit and to permanently restrain Cal Am and the Coastal Commission from constructing the test slant well pending full compliance with the California Environmental Quality Act and the California Coastal Act. The court denied these petitions, and on January 11, 2017, the Supreme Court of California denied MCWD's petition for review of this decision. MCWD filed a similar petition in January 2015 against the State Lands Commission and Cal Am, which remains pending.

In November 2015, MCWD filed a Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief in Santa Cruz County Superior Court against the Coastal Commission and Cal Am challenging the amendment of the coastal development permits and seeking an injunction against further test well pumping. In September 2016, the court denied MCWD's petition with respect to all claims, except claims related to those raised in the December 2014 petitions discussed above. On October 3, 2017, after conducting a trial for all matters raised in MCWD's November 2015 challenge, other than claims that had been denied by the court in September 2016, the court denied MCWD's claims with respect to these matters. On January 12, 2018, MCWD filed a notice of appeal of the court's judgment.

Based on the foregoing, Cal Am estimates that the earliest date by which the Water Supply Project desalination plant could be completed is sometime in 2021. There can be no assurance that Cal Am's application for the Water Supply Project will be approved or that the Water Supply Project will be completed on a timely basis, if ever. Furthermore, there can be no assurance that Cal Am will be able to comply with the diversion reduction requirements and other remaining requirements under the 2009 Order and the 2016 Order, or that any such compliance will not result in material additional costs or obligations to Cal Am or the Company.

California Public Utilities Commission Residential Rate Design Proceeding

In December 2016, the CPUC issued a final decision in a proceeding involving Cal Am adopting a new residential rate design for Cal Am's Monterey District. The decision allowed for recovery by Cal Am of $32 million in under-collections in the water revenue adjustment mechanism/modified cost balancing account ("WRAM/MCBA") over a five-year period, plus interest, and modified existing conservation and rationing plans. In its decision, the CPUC noted concern regarding Cal Am's residential tariff administration, specifically regarding the lack of verification of customer-provided information about the number of residents per household. This information was used for generating billing determinants under the tiered rate system. As a result, the CPUC kept this proceeding open to address several issues, including whether Cal Am's residential tariff administration violated a statute, rule or CPUC decision, and if so, whether a penalty should be imposed.

On February 24, 2017, Cal Am, the MPWMD, the CPUC's Office of Ratepayer Advocates, and the Coalition of Peninsula Businesses filed for CPUC approval of a joint settlement agreement (the "Joint Settlement Agreement"), which among other things, proposed to resolve the CPUC's residential tariff administration concerns by providing for a waiver by Cal Am of $0.5 million of cost recovery for residential customers through the

WRAM/MCBA in lieu of a penalty. Approval of the Joint Settlement Agreement, which is required for it to take effect, remains pending before the CPUC.

On March 28, 2017, the administrative law judge assigned to the proceeding issued a ruling stating there was sufficient evidence to conclude, on a preliminary basis, that Cal Am's administration of the residential tariff violated certain provisions of the California Public Utilities Code and a CPUC decision. The ruling ordered Cal Am to show cause why it should not be penalized for these administrative violations and directed the settling parties to address whether the cost recovery waiver in the Joint Settlement Agreement was reasonable compared to a potential penalty range described by the administrative law judge. During hearings held on April 13-14, 2017, the administrative law judge clarified that this potential penalty range is $3 million to $179 million (calculated as a continuing violation dating back to 2000 and applying penalties of up to $20,000 per day until January 1, 2012 and penalties of up to $50,000 per day thereafter, reflecting a 2012 change to the relevant statute). The administrative law judge also noted that a per diem penalty may not be appropriate, as Cal Am's monthly billing practices did not allow Cal Am to update customer-provided information for billing purposes on a daily basis. Hearings before the administrative law judge in this matter were held in August, September and November 2017. Cal Am also submitted additional testimony on the issue of whether Cal Am should be penalized, and if so, the reasonable amount of any such penalty. This proceeding remains pending, and the CPUC has set a statutory deadline of September 30, 2018 for the completion of the proceeding.

West Virginia Elk River Freedom Industries Chemical Spill

Background

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol ("MCHM"), and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the WVAWC treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection, WVAWC took immediate steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a "Do Not Use" order for all of its approximately 93,000 customer accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC's customers were subject to the Do Not Use order.

Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company-affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, more than 70 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. In January 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed until April 22, 2018 pending the approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. The court in the Federal action has continued the start of the trial indefinitely pending ongoing settlement approval activities.

Proposed Global Class Action Settlement

In October 2016, the court in the Federal action approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle claims among the American Water Defendants, and all class members, putative class members, claimants and potential claimants, arising out of the Freedom Industries chemical spill. On April 27, 2017, the parties filed with the court in the Federal action a proposed settlement agreement providing details of the terms of the settlement of these matters and requesting that the court in the Federal action grant preliminary approval of such settlement. On July 6, 2017, the court in the Federal action issued an opinion denying without prejudice the joint motion for preliminary approval of the Settlement. On August 25, 2017, the parties filed a proposed amended settlement agreement and related materials addressing the matters set forth in the July 6, 2017 order.

On September 21, 2017, the court in the Federal action issued an order granting preliminary approval of a settlement class and proposed class action settlement (the "Settlement") with respect to claims against the American Water Defendants by all putative class members (collectively, the "Plaintiffs") for all claims and potential claims arising out of the Freedom Industries chemical spill. The Settlement proposes a global resolution of all federal and state litigation and potential claims against the American Water Defendants and their insurers. Under the terms and conditions of the Settlement and the proposed amended settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved. Under federal class action rules, claimants had the right, until December 8, 2017, to elect to opt out of the final Settlement, in which case such claimant would not receive any benefit from or be bound by the terms of the Settlement. As of January 31, 2018, less than 100 of the 225,000 estimated putative Plaintiffs have submitted opt-out notices. The deadline to file a claim in the Settlement is February 21, 2018.

The proposed aggregate pre-tax amount of the Settlement with respect to the Company is $126 million. The aggregate portion of the Settlement to be contributed by WVAWC, net of insurance recoveries, is $43 million (approximately $26 million after-tax), taking into account the September 2017 settlement with one of the Company's general liability insurance carriers discussed below. Another defendant to the Settlement is to contribute up to $25 million to the Settlement. Two of the Company's general liability insurance carriers, which provide an aggregate of $50 million in insurance coverage to the Company under these policies, had been originally requested to participate in the Settlement at the time of the initial filing of the binding agreement in principle with the court in the Federal action, but did not agree to do so at that time. WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constituted a breach of contract. On September 19, 2017, the Company and the insurance carrier settled this lawsuit for $22 million, out of a maximum of $25 million in potential coverage under the terms of the relevant policy, in exchange for a full release by the Company and WVAWC of all claims against the insurance carrier related to the Freedom Industries chemical spill. WVAWC and the settling insurer have agreed to stay this litigation pending final approval of the Settlement. The Company and WVAWC continue to pursue vigorously their rights to insurance coverage for contributions by WVAWC to the Settlement in mandatory arbitration with the remaining non-participating carrier. This arbitration proceeding remains pending. Despite these efforts, the Company may not ultimately be successful in obtaining full or further reimbursement under this insurance policy for amounts that WVAWC may be required to contribute to the Settlement.

The proposed Settlement would establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76 million, of which $29 million will be contributed by WVAWC, including insurance deductibles, and $47 million would be contributed by two of the Company's general liability insurance carriers, and (ii) an individual review claim fund of up to $50 million, of which up to $14 million would be contributed by WVAWC and up to $36 million would be contributed by a number of the Company's general liability insurance carriers. Separately, up to $25 million would be contributed to the guaranteed fund by another defendant to the Settlement. If any final approval order by the court in the Federal action with respect to the Settlement is appealed and such appeal would delay potential payment to claimants under the Settlement, WVAWC and the other defendant to the Settlement will contribute up to $50 million and $25 million, respectively, to the Settlement (not including, in the case of WVAWC, any contributions by the Company's general liability insurance carriers which would not be made until such time as a final, non-appealable order is issued) into an escrow account during the pendency of such appeals. For certain claims, WVAWC and the other defendant to the Settlement may, in lieu of these escrowed contributions, make advance payments of such claims if agreed to by the parties. All administrative expenses of the Settlement and attorneys' fees of class counsel related thereto would be paid from the funds designated to pay claims covered by the Settlement.

As a result of these events, in the third quarter of 2016, the Company recorded a charge to earnings, net of insurance receivables, of $65 million ($39 million after-tax). Additionally, in the third quarter of 2017, the Company recorded a benefit of $22 million ($13 million after-tax) as an additional insurance receivable reflecting the settlement with the insurance carrier described above. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the PSC for approximately $4 million in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The $36 million to be contributed by a number of the Company's general liability insurance carriers to the individual review claim fund, as noted above, is from higher layers of the insurance structure than the insurance carrier that was requested, but presently has not agreed, to participate in the Settlement. Any recovery by WVAWC or the Company from the remaining non-participating carrier would reimburse WVAWC for its contributions to the guaranteed fund.

Notice of the terms of the Settlement to members of the settlement class commenced on October 11, 2017. Following the notice period, on January 9, 2018, the court in the Federal action held a fairness hearing to consider final approval of the Settlement, which was continued on February 1, 2018 to address certain open matters. At this hearing, the court in the Federal action indicated that it intended to enter an order approving the Settlement, and the parties submitted a proposed order to the court on February 2, 2018.

There can be no assurance that the Settlement will not be amended further or that the court will provide its final approval as to any agreement negotiated between the parties reflecting the terms of the Settlement.

The American Water Defendants believe that WVAWC has responded appropriately to, and, other than through the Settlement, has no responsibility for, the Freedom Industries chemical spill, and that the American Water Defendants have valid, meritorious defenses to the lawsuits. Nevertheless, WVAWC and the Company are unable to predict the outcome of any lawsuit against the American Water Defendants brought or maintained by a claimant that has elected to opt out of the Settlement, and any such outcome or outcomes could have a material adverse effect on the Company's financial condition, results of operations, cash flows, liquidity and reputation.

Other Related Proceedings

Additionally, investigations were initiated with respect to the matter by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the PSC. As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act. The PSC issued an order on June 15, 2017 concluding its investigation without requiring WVAWC to take any further action with respect to the matters covered by the general investigation.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. In September 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. On April 4, 2017, the CSB indicated that the implementation by the Company of source water protection activities resolved the first two parts of the CSB's recommendation. The CSB also noted that compliance by the Company with the third part of its recommendation is ongoing and that closure of this part is contingent upon completion of updated contingency planning for the Company's water utilities outside of West Virginia. In light of public response to its original September 2016 investigation report, on May 11, 2017, the CSB issued a new version of this report. The primary substantive change addressed CSB's factual evaluation of the duration and volume of contamination from the leaking tank, decreasing its estimate of the leak time but increasing the volume estimate by 10%. No substantive changes were made to the conclusions and recommendations in the original report.

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the "public nuisance" it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a complaint in Lincoln County state court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public nuisance in Lincoln County. The complaint seeks an injunction against WVAWC that would require the creation of various databases and public repositories of documents related to the Freedom Industries chemical spill, as well as further study and risk assessments regarding the alleged exposure of Lincoln County residents to the released chemicals. On June 12, 2017, the Mass Litigation Panel entered an order granting a motion to transfer this case to its jurisdiction and stayed the case consistent with the existing stay order. The LCC has elected to opt out of the Settlement. On January 26, 2018, the LCC filed a motion seeking to lift the stay imposed by the Mass Litigation Panel. This motion is pending. WVAWC believes that this lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

WVAWC and the Company are unable to predict the outcome of the ongoing government investigations or actions or any legislative initiatives that might affect WVAWC's water utility operations.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of WVAWC's West Relay pumping station located in the City of Dunbar. The failure of the main caused water outages and low pressure to up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was completed safely on June 30, 2015. Water service was fully restored on July 1, 2015 to all customers affected by this event.

On June 2, 2017, a class action complaint was filed in West Virginia Circuit Court in Kanawha County against WVAWC on behalf of a purported class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. On October 12, 2017, WVAWC filed with the court a motion seeking to dismiss all of the plaintiffs' counts alleging statutory and common law tort claims. Furthermore, WVAWC asserts that the PSC, and not the court, has primary jurisdiction over allegations involving violations of the applicable tariff, the public utility code and related rules. This motion remains pending.

Contract Operations Group -- East Palo Alto Water System Voluntary Report

On April 10, 2017, AWE, the parent entity of the Company's Contract Operations Group, voluntarily reported to the Division of Drinking Water of the SWRCB potential violations of the California Safe Drinking Water Act (the "CSDWA") in connection with AWE's operation of the City of East Palo Alto's water distribution system. Upon the resignation of the system's general manager in March 2017, AWE discovered that it may have operated the system without a properly certified operator for two years, the triennial LCR sampling was not completed, and the 2015 Consumer Confidence Report improperly reported data for lead and copper samples from the system's upstream water provider. Promptly after discovering these issues, AWE engaged an outside law firm to conduct an internal investigation and has reported the results of that investigation to the SWRCB.

On June 15, 2017, the SWRCB issued to AWE a citation that required AWE to, among other things: comply with regulations related to water operator certifications, lead and copper tap sampling requirements and the publishing of a Consumer Confidence Report; provide public notification of the LCR violation; and prepare a corrective action plan to evaluate the causes leading to these incidents and measures to be taken to prevent recurrence of future incidents. The citation did not impose on AWE any monetary penalties, but the SWRCB reserved the right to take additional enforcement action.

By letter dated October 4, 2017, the SWRCB advised AWE that it is in compliance with all of the directives and relevant statutory and administrative provisions specified in the SWRCB's June 15, 2017 citation. While AWE has completed all required compliance activities with respect to the citation, the SWRCB has previously reserved the right to take additional enforcement action. In February 2018, the SWRCB referred this matter to the San Mateo County, California District Attorney's office for further investigation. AWE continues to cooperate with the SWRCB, the City of East Palo Alto and the San Mateo County District Attorney regarding this matter. Proven violations of the CSDWA may result in civil and criminal penalties.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 23, 2008, our common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." The following table summarizes the per share range of the high and low intraday sales prices of our common stock as reported on the NYSE and the per share cash dividends paid and declared:

	Intraday Market Prices			
2017	High	Low	Per Share Dividends Paid	Per Share Dividends Declared (a)
Fourth Quarter	$ 92.37	$ 80.89	$ 0.415	$ 0.83
Third Quarter	83.14	77.36	0.415	0.415
Second Quarter	82.89	74.63	0.415	0.415
First Quarter	78.73	69.96	0.375	—

	Intraday Market Prices			
2016	High	Low	Per Share Dividends Paid	Per Share Dividends Declared (a)
Fourth Quarter	$ 76.12	$ 69.41	$ 0.375	$ 0.75
Third Quarter	85.24	72.12	0.375	0.375
Second Quarter	84.54	68.09	0.375	0.375
First Quarter	70.10	58.90	0.34	—

(a) Dividends declared during the three months ended December 31, 2017 and 2016, include quarterly dividends payable December 1 and March 1.

As of February 15, 2018, there were 178,551,923 shares of common stock outstanding held by approximately 2,644 record holders. Holders of our common stock are entitled to receive dividends when they are declared by our Board of Directors. When dividends on common stock are declared, they are typically paid in March, June, September and December. Future dividends are not guaranteed by the Company and will be dependent on future earnings, financial requirements, contractual provisions of debt agreements and other relevant factors. For more information regarding restrictions on the payment of dividends on our common stock, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends.

In February 2015, our Board of Directors authorized an anti-dilutive common stock repurchase program to mitigate the dilutive effect of shares issued through our dividend reinvestment, employee stock purchase and executive compensation activities. The program allows us to purchase up to 10 million shares of our outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and to facilitate these repurchases, we enter into Rule 10b5-1 share repurchase plans with a third party broker, which allow us to repurchase shares at times when we may otherwise be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, we may elect to amend or cancel the program or share repurchase parameters at our discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2017, the Company repurchased an aggregate of 3,950,000 shares of common stock under the program, including 700,000 shares repurchased during the first half of 2017. There were no repurchases of common stock in the last half of 2017.

ITEM 6. SELECTED FINANCIAL DATA

(In millions, except per share data)	For the Years Ended December 31, 2017	2016	2015	2014	2013
Statement of Operations data:					
Operating revenues	$ 3,357	$ 3,302	$ 3,159	$ 3,011	$ 2,879
Income from continuing operations (a)	426	468	476	430	371
Income from continuing operations per basic common share (a)	$ 2.39	$ 2.63	$ 2.66	$ 2.40	$ 2.08
Income from continuing operations per diluted common share (a)	2.38	2.62	2.64	2.39	2.07
Balance Sheet data:					
Total assets (b) (c)	$ 19,482	$ 18,482	$ 17,241	$ 16,038	$ 15,064
Long-term debt and redeemable preferred stock at redemption value (b)	6,498	5,759	5,874	5,442	5,225
Other data:					
Cash dividends declared per common share	$ 1.66	$ 1.50	$ 1.36	$ 1.24	$ 1.12
Net cash provided by operating activities (d) (e) (f)	1,449	1,289	1,195	1,122	956
Net cash used in investing activities (f)	(1,672)	(1,590)	(1,459)	(1,029)	(1,068)
Net cash provided by (used in) financing activities (d) (e) (f)	207	328	290	(104)	104
Capital expenditures included in net cash used in investing activities	(1,434)	(1,311)	(1,160)	(956)	(980)

(a) In November 2014, we disposed of our Class B Biosolids operating segment by selling our subsidiary, Terratec Environmental Ltd ("Terratec") in Ontario, Canada. The results of Terratec are presented as discontinued operations and, as such, have been excluded from Income from continuing operations for the years ended December 31, 2014 and 2013.

(b) The information for the years ended December 31, 2014 and 2013, has been revised to reflect the retrospective application of Accounting Standard Update 2015-15, Presentation of Debt Issuance Costs, which was adopted by the Company as of December 31, 2015.

(c) The information for the years ended December 31, 2014 and 2013, has been revised to reflect the retrospective application of Accounting Standard Update 2015-17, Income Taxes, which was adopted by the Company as of December 31, 2015.

(d) The information for the years ended December 31, 2016, 2015, 2014 and 2013, has been revised to reflect the retrospective application of Accounting Standard Update 2016-09, Improvements to Employee Share-Based Payment Accounting, which was adopted by the Company as of January 1, 2017.

(e) The information for the year ended December 31, 2013, has been revised to reflect the retrospective application of Accounting Standard Update 2016-15, Classification of Certain Cash Receipts and Cash Payments, which was adopted by the Company as of December 31, 2017.

(f) The information for the years ended December 31, 2016, 2015, 2014 and 2013, has been revised to reflect the retrospective application of Accounting Standard Update 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash, which was adopted by the Company as of December 31, 2017.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the notes thereto included elsewhere in this Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those we discuss under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. We employ approximately 6,900 professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in 46 states, the District of Columbia and Ontario, Canada. Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as our "Regulated Businesses." Our utilities operate in 16 states and serve approximately 3.4 million customers, based on the number of active service connections to our water and wastewater networks. Our Regulated Businesses are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation, collectively referred to as PUCs. We also operate market-based businesses within four operating segments, providing a broad range of related and complementary water and wastewater services to military bases, municipalities, oil and gas exploration and production companies, as well as commercial, industrial and residential customers. Individually, these four operating segments do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented as our Market-Based Businesses, which is consistent with how management assesses the results of these businesses.

2017 Financial Results

The following table provides highlights of our diluted earnings per share and our adjusted diluted earnings per share (a non-GAAP measure):

	For the Years Ended December 31,		
	2017	2016	2015
Diluted earnings per share (GAAP):			
Net income attributable to common stockholders	$ 2.38	$ 2.62	$ 2.64
Non-GAAP adjustments:			
Impact of Freedom Industries settlement activities	(0.12)	0.36	—
Income tax impact	0.05	(0.14)	—
Net non-GAAP adjustment	(0.07)	0.22	—
Early extinguishment of debt at the parent company	0.03	—	—
Income tax impact	(0.01)	—	—
Net non-GAAP adjustment	0.02	—	—
Impact of re-measurement from the Tax Cuts and Jobs Act	0.70	—	—
Total net non-GAAP adjustments	0.65	0.22	—
Adjusted diluted earnings per share (non-GAAP)	$ 3.03	$ 2.84	$ 2.64

For the year ended December 31, 2017, net income attributable to common stockholders was $2.38 per diluted share, a decrease of $0.24 per diluted share, or 9.2%, as compared to the prior year. Included in the 2017 amount was: (i) an after-tax benefit of $13 million, or $0.07 per diluted share, resulting from an insurance settlement with one of our general liability insurance carriers related to the Freedom Industries chemical spill; (ii) an after-tax charge of $4 million, or $(0.02) per diluted share, resulting from the early extinguishment of debt at the parent company; and (iii) a non-cash, after-tax re-measurement charge of $125 million, or $0.70 per diluted share, resulting from the impact of the change in the federal tax rate on the Company's deferred income taxes from the enactment of the TCJA on December 22, 2017. Included in the 2016 amounts was an after-tax charge of $39 million, or $(0.22) per diluted share, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill. For additional information, see Item 3—Legal Proceedings—West Virginia Elk River Freedom Industries Chemical Spill.

Excluding these items, adjusted diluted earnings per share (a non-GAAP measure) was $3.03 for the year ended December 31, 2017, an increase of $0.19 per diluted share, or 6.7%, as compared to the prior year. This increase was primarily due to continued growth in our Regulated Businesses, largely driven by infrastructure investment, acquisitions and organic growth, combined with growth in our Market-Based Businesses from our Homeowner Services Group and Keystone. These increases were partially offset by lower water services demand in 2017 in our Regulated Businesses, attributable in part to overall warmer weather in 2016, as well as lower capital upgrades in our Military Services Group. For further discussion of our consolidated results of operations, as well as financial results for our Regulated Businesses segment and our Market-Based Businesses, see "Consolidated Results of Operations" and "Segment Results of Operations" for additional information.

Adjusted diluted earnings per share represents a non-GAAP financial measure and means diluted earnings per share, calculated in accordance with GAAP, excluding the impact of: (i) the third quarter of 2017 insurance settlement related to the Freedom Industries chemical spill; (ii) the early extinguishment of debt at the parent company in the third quarter of 2017; (iii) the non-cash, after-tax re-measurement charge in the fourth quarter of 2017 resulting from the impact of the change in the federal tax rate on the Company's deferred income taxes from enactment of the TCJA; and (iv) the fourth quarter of 2016 binding global agreement in principle to settle claims related to the Freedom Industries chemical spill. We believe that this non-GAAP measure provides investors with useful information by excluding certain matters that may not be indicative of our ongoing operating results, and that providing this non-GAAP measure will allow investors to understand better our businesses' operating performance and facilitate a meaningful year-to-year comparison of our results of operations. Although management uses this non-GAAP financial measure internally to evaluate our results of operations, we do not intend results excluding the adjustments to represent results as defined by GAAP, and the reader should not consider them as indicators of performance. This non-GAAP financial measure is derived from our consolidated financial information but is not presented in our financial statements prepared in accordance with GAAP, and thus it should be considered in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP. In addition, this non-GAAP financial measure as defined and used above may not be comparable to similarly titled non-GAAP measures used by other companies, and, accordingly, it may have significant limitations on its use.

Strategic Focus and 2017 Achievements

We believe our success in the future will be driven by engaged employees, smart investments and safe, efficient operations, leading to satisfied customers which in turn will lead to constructive regulatory outcomes and sustainable financial performance. Our strategy, which is driven by our vision and core values, will continue to be anchored on our five central themes:

- Customer—Our customers are at the center of everything we do. We want to be the best, and if our customers have a choice as to who serves them, we want it to be us.
    - In 2017, we:
        - achieved both a customer satisfaction rating and a service quality rating in the top quartile among our water industry peers;
        - expanded our customer experience initiative, designed to make it easier for customers to do business with us, and enhanced our quality of service through implementation and upgrades of technology tools; and
        - continued to make needed infrastructure investment while implementing operational efficiency improvements to keep customer rates affordable.
    - Looking forward, we will:
        - target the achievement of customer satisfaction and service quality targets in the top quartile of service industries, beyond the water and wastewater industry. We have a three year plan to enhance technology and innovation in our customer experience through: (i) leveraging secure artificial intelligence to better serve our customers; (ii) using on-line customer communities for immediate input and reactions before rolling out programs; and (iii) mapping our most frequent

customer interactions and re-working our internal processes to how the customer wants services; and

- aim for top quartile targets for drinking water quality and being an industry leader in system resiliency and environmental stewardship. We intend to continue to make needed infrastructure investments while implementing operational efficiency improvements to help keep customer rates affordable.

- Safety—Safety is both a strategy and a value at American Water. We put safety first in everything that we do.
  - In 2017, we:
    - finished the year with fewer employee injuries than the prior year and exceeded our targeted results for our Occupational Safety and Health Administration recordable incident rate and our Days Away Restricted or Transferred rate; and
    - strengthened our safety culture as measured by employee responses to safety-related questions in the Company's culture survey, and scored 13 points above "High Performing Companies" in the category of safety, as measured by CEB, Inc. Our safety council, consisting of management and labor employees from across the Company, continued its mission of developing and implementing recommendations to reinforce the Company's commitment to safety.
  - Looking forward, we will:
    - strive toward zero workplace injuries;
    - focus on requiring that the contractors that perform work for the Company are approved in accordance with the Contractor Safety Qualification Practice and are held to the same standards as our employees; and
    - continue our focus on "near miss reporting," to promote continuous learning and corrective action regarding potential safety hazards.

- People—We are building a diverse, fully-engaged, high performance workforce and culture and creating an environment where our people feel valued, included and accountable.
  - In 2017, we continued to demonstrate our commitment to employees by expanding training and development across the Company, with the vast majority of our employees completing at least 20 hours of training during 2017. We also added new Respect and Diversity training to strengthen our values-based culture.
  - Looking forward, we will continue to:
    - improve the diversity of our overall employee population, reflective of our customers and communities;
    - implement a strategic workforce plan which will address the changing requirements of our business and our jobs, and how we will fill those critical positions throughout the Company to promote continuity and help us to meet future operational needs; and
    - dedicate ourselves to personal development through effective training and development plans.

- Growth—We expect to continue to grow our businesses, with the significant majority of our growth to be achieved in our Regulated Businesses through: (i) continued investment in infrastructure to provide safe, clean, reliable and affordable water and wastewater services to our customers; and (ii) regulated acquisitions to expand our services to new customers. We also expect to continue to grow our Market-Based Businesses, which leverage our core water and wastewater competencies.
  - In 2017, we invested $1.7 billion, a record level of annual investment since the Company went public in 2008, and $200 million more than 2016, which had previously been a record year for investment. Our 2017 investment included:
    - $1.4 billion, of which the majority was in our Regulated Businesses for infrastructure replacements and improvements; and
    - $210 million to fund acquisitions in our Regulated Businesses, which added approximately 40,000 water and wastewater customers, including bulk customers, highlighted by the:
      - April 3, 2017 acquisition of Shorelands Water Company, Inc. ("Shorelands") in a stock transaction for $33 million in the form of 438,211 shares of our common stock. Shorelands, which is now a part of our New Jersey subsidiary,

provides water service to approximately 11,000 customers in Monmouth County, New Jersey, and the

- December 18, 2017 acquisition of the McKeesport system for $159 million. This acquisition was the first acquisition executed under Pennsylvania's Act 12 of 2016, which allows municipalities to sell water and wastewater systems for a price based upon the fair market value of the system. Under Act 12, the rate base for this acquisition was approved at $158 million. The McKeesport system, which is now part of our Pennsylvania subsidiary, represents approximately 22,000 customers; comprised of 11,000 customer connections, as well as service to an additional 11,000 customers under bulk contracts to 13 municipalities in Allegheny County, Pennsylvania.

- On September 29, 2017, our Military Services Group was awarded a contract for ownership, operation and maintenance of the water and wastewater systems at Wright-Patterson Air Force Base, the largest single-site employer in the state of Ohio. The contract award includes estimated revenues of approximately $490 million over a 50-year period, subject to an annual economic price adjustment. In the fourth quarter of 2017, a bid protest was filed on this contract by an unsuccessful bidder. In January 2018, the bid protest was sustained because a required element of the solicitation was not properly considered. The protester's bid proposal will be re-evaluated, and we believe that the contract previously awarded to our Military Services Group will be reinstated.

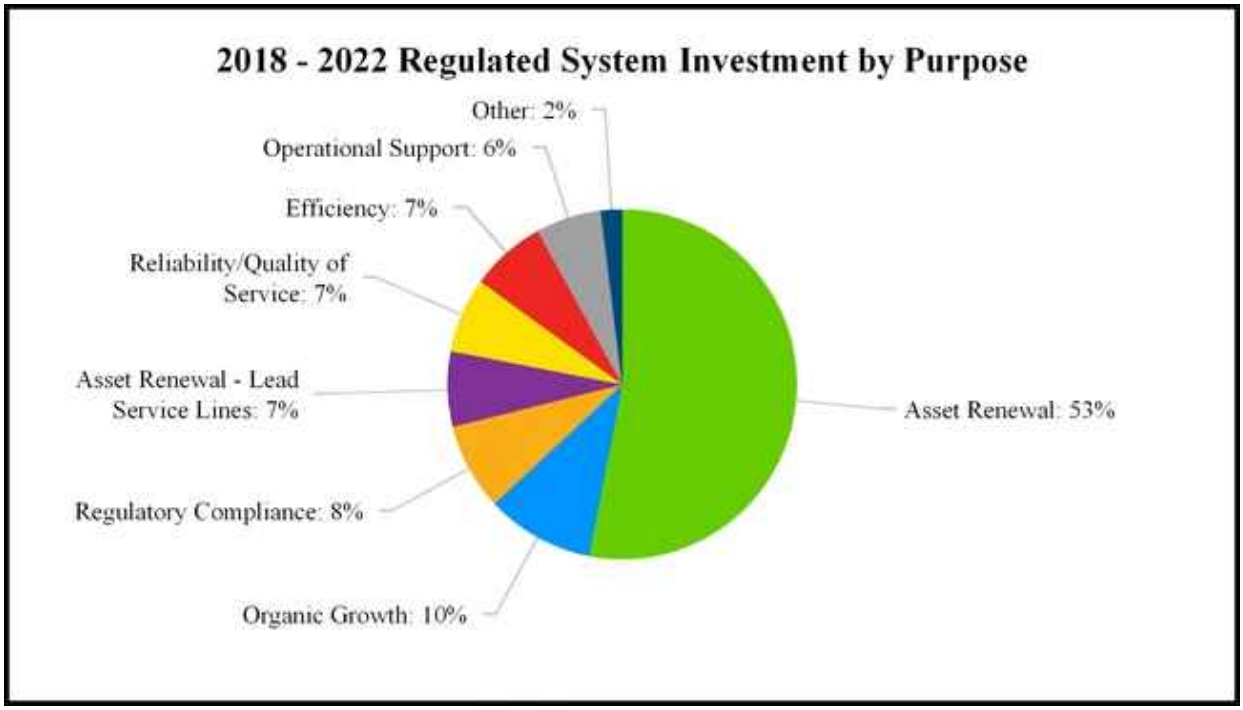
- Looking forward, we expect to invest between $8.0 billion to $8.6 billion from 2018 to 2022, including a range of $1.6 billion to $1.8 billion in 2018. Our expected future investment includes:

  - capital investment for infrastructure improvements in our Regulated Businesses of $7.2 billion over the next five years, including a range of $1.4 billion to $1.5 billion expected in 2018;

  - growth from acquisitions in our Regulated Businesses to expand our water and wastewater customer base of between $600 million to $1.2 billion over the next five years, including a range of $120 million to $240 million expected in 2018; and

  - strategic capital investments of approximately $200 million over the next five years, including approximately $100 million expected in 2018. These investments include strategic growth opportunities in our Market-Based Businesses and the construction of our new corporate headquarters in Camden, New Jersey, which is expected to be completed during the second half of 2018 and is eligible for up to $164 million in tax credits from New Jersey's Economic Development Authority.

The following chart depicts the estimated allocation of our expected capital investment for infrastructure improvements in our Regulated Businesses from 2018 to 2022, by purpose:



- Technology and Operational Efficiency—We continue to strive for industry-leading operational efficiency, driven by technology. Our technology investments are aimed at enhancing our customer experience and operational efficiency.
  - In 2017:
    - our Regulated Businesses achieved an adjusted O&M efficiency ratio (a non-GAAP measure) of 33.8% for the year ended December 31, 2017, compared to 34.9% and 35.9% for the years ended December 31, 2016 and 2015, respectively. The continued improvement in our adjusted O&M efficiency ratio in 2017 was attributable to both an increase in operating revenues and a decrease in O&M expenses (see the following table). The improvement in the 2016 adjusted O&M efficiency ratio over the 2015 ratio was primarily attributable to an increase in operating revenues;
    - we introduced new tools such as FSR Customer One View, which provides our employees with information such as neighborhood maps, customer usage data, billing and payment history, and real-time meter reads; and MapCall, which helps to manage location based assets such as hydrants, valves, meters, among others; along with implementing technology upgrades to our national customer services, focused on helping us improve customer service;
    - we continued our commitment to water quality and the environment by leveraging new technologies; we now have advanced water quality sensors at all of our major drinking water intake sites and we are automating our reporting and compliance systems; and
    - we implemented other technology tools that will enhance communication, collaboration and mobility to help our operations and support employees work more safely and efficiently, and enhance the customer experience.
  - Looking forward, we will focus on technology and efficiency to:
    - be the leader in optimizing technology deployment across the water and wastewater industry, with a keen focus on specific, innovative projects that will set us apart from other utilities, and to help us serve our customers with greater ease, make us safer and help us operate more efficiently; and
    - achieve our goal of an adjusted O&M efficiency ratio equal to or below 32.0% by 2022.

Our adjusted O&M efficiency ratio is defined as our regulated operation and maintenance expenses divided by our regulated operating revenues, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Additionally, from operation and maintenance expenses, we have excluded the allocable portion of non-operation and maintenance support services costs, mainly depreciation and general taxes, that are reflected in our Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, are categorized within other line items in the accompanying Consolidated Statements of Operations. For the years ended December 31, 2017 and 2016, we have also excluded from operation and maintenance expenses the impact of certain Freedom Industries chemical spill settlement activities. We excluded all of the above items from the calculation as we believe such items are not reflective of management's ability to increase efficiency of our regulated operations. Going forward, we expect changes to our adjusted O&M efficiency ratio related to the impact of the enactment of the TCJA and the adoption of new accounting standards in the future.

We evaluate our operating performance using this ratio because we believe it directly measures improvement in the efficiency of our regulated operations. This information is intended to enhance an investor's overall understanding of our operating performance. Our adjusted O&M efficiency ratio is not a GAAP financial measure and may not be comparable to other companies' operating measures, and should not be used in place of the GAAP information provided elsewhere in this Form 10-K.

With respect to our adjusted O&M efficiency ratio goal for 2022, we are unable to provide without unreasonable efforts a quantitative reconciliation of each component of this ratio to the most comparable financial measure calculated in accordance with GAAP. In calculating the components of the ratio, certain items that may ultimately be excluded would be reflective of events that cannot be reasonably predicted at this time. The unavailable information would include, among other things, the impact of items currently excluded from the calculation of the components, adjustments for weather conditions that exceed a certain threshold of variability and adjustments for events or circumstances that may not be reflective of ongoing operating results. The probable significance of these items is also presently unknown and cannot be reasonably estimated.

The following table provides the calculation of our adjusted O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of our adjusted O&M efficiency ratio:

	For the Years Ended December 31,		
(Dollars in millions)	**2017**	**2016**	**2015**
Total operation and maintenance expenses	$ 1,378	$ 1,504	$ 1,404
Less:			
Operation and maintenance expenses—Market-Based Businesses	337	372	358
Operation and maintenance expenses—Other	(50)	(44)	(49)
Total operation and maintenance expenses—Regulated Businesses	1,091	1,176	1,095
Less:			
Regulated purchased water expenses	128	122	117
Allocation of non-operation and maintenance expenses	29	30	35
Impact of Freedom Industries settlement activities (a)	(22)	65	—
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 956	$ 959	$ 943
Total operating revenues	$ 3,357	$ 3,302	$ 3,159
Less:			
Operating revenues—Market-Based Businesses	422	451	434
Operating revenues—Other	(23)	(20)	(18)
Total operating revenues—Regulated Businesses	2,958	2,871	2,743
Less:			
Regulated purchased water revenues (b)	128	122	117
Adjusted operating revenues—Regulated Businesses (ii)	$ 2,830	$ 2,749	$ 2,626
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.8%	34.9%	35.9%

(a) Includes the impact of the binding global agreement in principle to settle claims in 2016 and a settlement with one of our general liability insurance carriers in 2017.

(b) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

The following table provides general rate case authorizations effective from 2015 through 2017, and depicts annualized incremental revenues assuming a constant water sales volume:

(In millions)	2017	2016	2015
General rate case authorizations by state:			
New York (effective June 1, 2017)	$ 4	$ —	$ —
Virginia (a)	5	—	—
Iowa (effective March 27, 2017)	4	—	—
California (b)	5	2	5
Illinois (effective January 1, 2017)	25	—	—
Kentucky (effective August 28, 2016)	—	7	—
Missouri (effective July 20, 2016 and July 22, 2016)	—	5	—
West Virginia (effective February 25, 2016)	—	18	—
Indiana (effective January 29, 2016 and January 29, 2015)	—	2	5
New Jersey (effective September 21, 2015)	—	—	22
Other	—	—	1
Total general rate case authorizations	$ 43	$ 34	$ 33

(a) The effective date of the rate order was May 24, 2017, authorizing the implementation of interim rates as of April 1, 2016.

(b) Step rates for 2017 effective January 13, 2017 through February 2, 2017. Step rates for 2016 and 2015 effective January 1, 2016 and January 1, 2015, respectively.

On December 7, 2017, a settlement in our Pennsylvania subsidiary's general rate case filing was approved authorizing additional annualized revenues of $62 million, effective on January 1, 2018.

Pending General Rate Case and Cost of Capital Filings

On September 15, 2017, our New Jersey subsidiary filed a general rate case requesting $129 million in additional annualized water and wastewater revenues.

On June 30, 2017, our Missouri subsidiary filed a general rate case requesting $84 million in additional annualized water and wastewater revenues.

On April 3, 2017, our California subsidiary filed an application requesting a cost of capital of 8.49%, compared to 8.41% currently authorized. On February 6, 2018, a proposed decision was issued by the administrative law judge and we plan to work through the regulatory process with the CPUC over the next several months.

During the third quarter of 2016, our California subsidiary filed a general rate case requesting $35 million in additional annualized revenues and an increase of $8 million in the escalation year of 2019 and the attrition year of 2020. During the fourth quarter of 2016, our California subsidiary filed an update to its general rate case, adjusting its request for additional annualized revenues to $32 million and increasing its request to $9 million in the escalation year of 2019.

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure.

The following table provides infrastructure surcharge authorizations effective from 2015 through 2017, and depicts annualized incremental revenues assuming a constant water sales volume:

(In millions)	2017	2016	2015
Infrastructure surcharge authorizations by state:			
Missouri (effective December 15, 2017 and June 27, 2015)	$ 6	$ —	$ 2
New Jersey (a)	14	19	9
Indiana (effective March 22, 2017 and May 4, 2016)	8	3	—
Tennessee (effective March 14, 2017, March 15, 2016 and June 29, 2015)	2	2	2
Pennsylvania (b)	1	28	14
West Virginia (effective January 1, 2017)	2	—	—
Illinois (c)	—	7	6
New York (effective December 1, 2015)	—	—	1
Total infrastructure surcharge authorizations	$ 33	$ 59	$ 34

(a) For 2017, $10 million effective June 1 and $4 million effective December 10. For 2016, $9 million effective June 1 and $10 million effective December 1. For 2015, $9 million effective January 1.

(b) For 2017, $1 million effective January 1 (the infrastructure surcharge cap was reached after the first quarter of 2017). For 2016, $11 million, $2 million, $6 million and $9 million effective January 1, April 1, July 1 and October 1, respectively. For 2015, $2 million, $4 million and $8 million effective April 1, July 1 and October 1, respectively.

(c) For 2016, $1 million effective January 1 and $6 million effective August 1. For 2015, $5 million effective January 1 and $1 million effective February 1.

On December 28, 2017, our West Virginia subsidiary received a decision on its infrastructure surcharge filing authorizing additional annualized revenues of $3 million, effective on January 1, 2018. Additionally, on December 20, 2017, our Illinois subsidiary filed for an infrastructure surcharge requesting $3 million in additional annualized revenues, which will become effective on January 1, 2018.

There is no assurance that all or any portion of these requests will be granted.

Pending Infrastructure Surcharge Filings

The following table details of our pending infrastructure surcharge filings:

(In millions)	Date Filed	Amount
Pending infrastructure surcharge filings by state:		
Indiana	January 18, 2018	$ 7
Tennessee	November 7, 2017	2
Virginia	October 31, 2017	1
Total pending infrastructure surcharge filings		$ 10

There is no assurance that all or any portion of these requests will be granted.

Other Regulatory Matters

On August 4, 2017, our Illinois subsidiary filed a petition with the Illinois Commerce Commission (“ICC”) to place into effect, revised depreciation rates applicable to our depreciable water and wastewater plant, resulting from a new depreciation study. The petition requested that these new rates would be effective January 1, 2017. On November 21, 2017, the ICC approved this petition, which resulted in lower depreciation

expense of $16 million in 2017.

Tax Matters

Tax Cuts and Jobs Act

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the maximum U.S. federal corporate income tax rate from 35% to 21% as of January 1, 2018, and certain other provisions related specifically to the public utility industry, including continuation of interest expense deductibility, the exclusion from utilizing bonus depreciation and the normalization of deferred income tax. The enactment of the TCJA required a re-measurement of our deferred income taxes that materially impacted our 2017 results of operations and financial position. The portion of this re-measurement related to our Regulated Businesses was substantially offset by a regulatory liability, as we believe it is probable that the deferred income tax excesses created by the TCJA will be refunded to customers in future rates. The remaining portion of this re-measurement of the net deferred income tax liability was recorded as a non-cash charge to earnings of $125 million during the fourth quarter of 2017.

Other Tax Matters

On April 11, 2017, the state of New York enacted legislation that increased the state income tax rate on our taxable income attributable to New York. This legislation eliminated the production of water as a qualified manufacturing activity in New York, which effectively increased the state income tax rate in New York. As a result of the legislative change, we were required to re-measure our cumulative deferred income tax balances using the higher state income tax rate in the second quarter of 2017. This change in legislation was the primary cause of an increase to our unitary deferred income tax liability of $11 million. The portion of this increase related to our New York subsidiary calculated on a stand-alone basis was $7 million, and was offset by a regulatory asset, as we believe it is probable of recovery in future rates. The remaining increase in the deferred income tax liability was calculated through state tax apportionment rates and recorded at the consolidated level, resulting in a non-cash, cumulative charge to earnings of $4 million during the second quarter of 2017.

On July 7, 2017, the State of Illinois enacted legislation that increased, effective July 1, 2017, the state income tax rate on our taxable income attributable to Illinois from 7.75% to 9.5%. As a result of the legislative change, we were required to re-measure our cumulative deferred income tax balances using the higher state income tax rate in the third quarter of 2017. This change in legislation was the primary cause of an increase to our unitary deferred income tax liability of $7 million. The portion of this increase related to our Illinois subsidiary calculated on a stand-alone basis was $4 million, and was offset by a regulatory asset, as we believe it is probable of recovery in future rates. The remaining increase in the deferred income tax liability was recorded at the consolidated level, resulting in a non-cash, cumulative charge to earnings of $3 million during the third quarter of 2017.

Consolidated Results of Operations

The following table presents our consolidated results of operations and the ensuing discussions provide explanations for the variances related to the major components:

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Operating revenues	$ 3,357	$ 3,302	$ 3,159	$ 55	1.7	$ 143	4.5
Operating expenses:							
Operation and maintenance	1,378	1,504	1,404	(126)	(8.4)	100	7.1
Depreciation and amortization	492	470	440	22	4.7	30	6.8
General taxes	259	258	243	1	0.4	15	6.2
Gain on asset dispositions and purchases	(16)	(10)	(3)	(6)	60.0	(7)	233.3
Total operating expenses, net	2,113	2,222	2,084	(109)	(4.9)	138	6.6
Operating income	1,244	1,080	1,075	164	15.2	5	0.5
Other income (expense):							
Interest, net	(342)	(325)	(308)	(17)	5.2	(17)	5.5
Loss on early extinguishment of debt	(7)	—	—	(7)	100.0	—	—
Other, net	17	15	15	2	13.3	—	—
Total other income (expense)	(332)	(310)	(293)	(22)	7.1	(17)	5.8
Income before income taxes	912	770	782	142	18.4	(12)	(1.5)
Provision for income taxes	486	302	306	184	60.9	(4)	(1.3)
Net income attributable to common stockholders	$ 426	$ 468	$ 476	$ (42)	(9.0)	$ (8)	(1.7)

Operating Revenues

In 2017, operating revenues increased $55 million, or 1.7%, primarily due to a:

- $87 million increase in our Regulated Businesses principally due to authorized rate increases to fund infrastructure investment growth, as well as acquisitions and organic growth, offset in part by lower water services demand in 2017, including a $15 million reduction due to warmer weather in 2016; partially offset by a

- $29 million decrease in our Market-Based Businesses mainly due to lower capital upgrades in our Military Services Group, driven largely by reduced military base budgets, offset in part by incremental revenues in our Homeowner Services Group from contract growth and price increases, and in Keystone from an increase in operations as a result of market recovery in the natural gas industry.

In 2016, operating revenues increased $143 million, or 4.5%, primarily due to a:

- $128 million increase in our Regulated Businesses principally due to authorized rate increases to fund infrastructure investment growth, as well as acquisitions and organic growth; and a

- $17 million increase in our Market-Based Businesses mainly due to our acquisition of Keystone in the third quarter of 2015 and incremental revenues from our Homeowner Services and Contract Operations Groups from contract growth, partially offset by lower capital upgrades in our Military Services Group.

Operation and Maintenance

In 2017, operation and maintenance expense decreased $126 million, or 8.4%, primarily due to a:

- $85 million decrease in our Regulated Businesses principally due to a $65 million net charge recorded in 2016, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia, and a $22 million benefit recorded in 2017, resulting from a related insurance settlement with one of our general liability insurance carriers; and a

- $35 million decrease in our Market-Based Businesses mainly due to lower capital upgrades in our Military Services Group, as discussed above, partially offset by higher employee-related costs from growth in Keystone and increased customer uncollectible expense in Homeowner Services from contract growth during 2017.

In 2016, operation and maintenance expense increased $100 million, or 7.1%, primarily due to a:

- $81 million increase in our Regulated Businesses principally due to a $65 million charge recorded in 2016, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia, as well as higher employee-related costs and litigation expenses, partially offset by lower casualty insurance and customer uncollectible expense; and an

- $14 million increase in our Market-Based Businesses which included $11 million from our acquisition of Keystone in the third quarter of 2015, as well as incremental costs associated with growth in our Homeowner Services and Contract Operations Group, partially offset by lower capital upgrades in our Military Services Group, as discussed above.

Depreciation and Amortization

In 2017 and 2016, depreciation and amortization expense increased $22 million and $30 million, or 4.7% and 6.8%, respectively. The increase for both periods was primarily due to additional utility plant placed in service. Included in 2017 was the impact of revised depreciation rates from a depreciation study approved by the ICC in our Illinois subsidiary, resulting in lower depreciation expense of $16 million. Included in 2016 was incremental depreciation and amortization expense resulting from our acquisition of Keystone in the third quarter of 2015.

General Taxes

In 2017 and 2016, general taxes increased $1 million and $15 million, or 0.4% and 6.2%, respectively. The increase in 2016 was primarily due to incremental property and gross receipts taxes in our Regulated Businesses.

Gain on Asset Dispositions and Purchases

In 2017 and 2016, gain on asset dispositions and purchases increased $6 million and $7 million, or 60.0% and 233.3%, respectively. The increase in 2017 was primarily due to a $7 million gain recognized on a land sale in our Kentucky subsidiary. The increase in 2016 was largely attributable to a gains recognized on a land sale in our Pennsylvania subsidiary and an acquisition in our Missouri subsidiary.

Other Income (Expense)

In 2017 and 2016, other expenses increased $22 million and $17 million, or 7.1% and 5.8%, respectively. The increase in 2017 was primarily due to an increase in interest expense from the issuance of incremental long-term debt in 2017 and the fourth quarter of 2016, as well as a $6 million charge resulting from the early extinguishment of debt at the parent company. The increase in 2016 was largely attributable to an increase in interest expense from the issuance of incremental long-term debt, as well as an increase in short-term interest expense, mainly due to higher levels of short-term borrowings during 2016, coupled with an increase in the average short-term borrowing rates in 2016, as compared to the prior year.

Provision for Income Taxes

In 2017, our provision for income taxes increased by $184 million, or 60.9%, from the previous year. The increase is primarily due to higher pretax income and a non-cash, after-tax re-measurement charge of $125 million, resulting from the impact of the change in the federal tax rate on the Company's deferred income taxes from the enactment of the TCJA, which included a reduction in the maximum U.S. federal corporate income tax rate from 35% to 21%. The $125 million charge includes $6 million allocated to our Regulated Businesses segment, $5 million to our Market-Based Businesses and $114 million to our Other segment. In 2016, our provision for income taxes decreased $4 million, or 1.3%, from the previous year. This decrease was primarily due to the decrease in pre-tax income. The effective tax rates were 53.3%, 39.2% and 39.1% for the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, we've recognized federal NOL carryforwards of $1.05 billion. The TCJA eliminated the bonus depreciation deduction for property acquired or constructed after September 27, 2017, and we currently expect to utilize the benefits of our federal NOL

carryforwards over the next two years. See Note 13—Income Taxes in the Notes to Consolidated Financial Statements for additional information.

Segment Results of Operations

Our segments are determined based on how we assess performance and allocate resources. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being net income attributable to common stockholders. The majority of our business is conducted through our Regulated Businesses reportable segment. We also operate several market-based businesses that provide a broad range of related and complementary water and wastewater services within four operating segments that individually do not meet the criteria of a reportable segment in accordance with GAAP. These four, non-reportable operating segments are collectively presented as our Market-Based Businesses, which is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

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

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Operating revenues	$ 2,958	$ 2,871	$ 2,743	$ 87	3.0	$ 128	4.7
Operation and maintenance	1,091	1,176	1,095	(85)	(7.2)	81	7.4
Operating expenses, net	1,781	1,852	1,732	(71)	(3.8)	120	6.9
Net income attributable to common stockholders	559	472	473	87	18.4	(1)	(0.2)

Operating Revenues

The following tables and the ensuing discussions provide explanations for the variances related to the three components of operating revenues—water services revenues, wastewater services revenues and other revenues:

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Billed water services revenues:							
Residential	$ 1,654	$ 1,592	$ 1,536	$ 62	3.9	$ 56	3.6
Commercial	603	580	559	23	4.0	21	3.8
Industrial	137	134	130	3	2.2	4	3.1
Public and other	351	338	331	13	3.8	7	2.1
Other	31	53	39	(22)	(41.5)	14	35.9
Total billed water services revenues	2,776	2,697	2,595	79	2.9	102	3.9
Unbilled water services revenues	(11)	13	(3)	(24)	(184.6)	16	(533.3)
Total water services revenues	2,765	2,710	2,592	55	2.0	118	4.6
Wastewater services revenues	142	112	97	30	26.8	15	15.5
Other revenues	51	49	54	2	4.1	(5)	(9.3)
Total operating revenues	$ 2,958	$ 2,871	$ 2,743	$ 87	3.0	$ 128	4.7

(Gallons in millions)	For the Years Ended December 31, 2017	2016	2015	Increase (Decrease) 2017 vs. 2016 Gallons	%	Increase (Decrease) 2016 vs. 2015 Gallons	%
Billed water services volumes:							
Residential	174,420	174,599	175,653	(179)	(0.1)	(1,054)	(0.6)
Commercial	82,147	82,489	81,772	(342)	(0.4)	717	0.9
Industrial	39,404	38,465	38,991	939	2.4	(526)	(1.3)
Public and other	51,341	50,678	51,324	663	1.3	(646)	(1.3)
Total billed water services volumes	347,312	346,231	347,740	1,081	0.3	(1,509)	(0.4)

Note: The correlation between water revenues and billed water volumes shown in the preceding tables is impacted by the California drought. In 2015, and to a lesser extent in 2016, California experienced a severe drought. In April 2015, the Governor mandated water usage restrictions to reduce overall water usage by 25% in the state compared to 2013 levels. In April 2017, the mandated water usage restrictions were removed. In California, revenue is decoupled from sales volume through the WRAM/MCBA, aligning our water conservation goals with those of the state and our customers, and therefore usage reductions do not impact earnings.

In 2017, operating revenues increased $87 million, or 3.0%, primarily due to a:

- $81 million increase from authorized rate increases, including infrastructure surcharges, principally to fund investment growth in various states;
- $43 million increase attributable to water and wastewater acquisitions, as well as organic growth in existing systems; and a
- $9 million increase resulting from higher wastewater treatment volumes and an increase in private fire service connections; partially offset by a
- $48 million decrease due to lower water services demand, including a $15 million reduction due to warmer weather in 2016.

In 2016, operating revenues increased $128 million, or 4.7%, primarily due to a:

- $92 million increase from authorized rate increases, including infrastructure surcharges, principally to fund investment growth in various states;
- $19 million increase attributable to water and wastewater acquisitions, as well as organic growth in existing systems;
- $4 million increase resulting from higher wastewater treatment volumes and an increase in private fire service connections; and
- $13 million increase mainly due to revenues from balancing accounts, primarily in our California subsidiary, as well as surcharges and other adjustments.

Operation and Maintenance

The following tables and the ensuing discussions provide explanations for the variances related to the major components of operation and maintenance expense:

(Dollars in millions)	For the Years Ended December 31, 2017	2016	2015	Increase (Decrease) 2017 vs. 2016 $	%	Increase (Decrease) 2016 vs. 2015 $	%
Production costs	$ 298	$ 288	$ 282	$ 10	3.5	$ 6	2.1
Employee-related costs	446	443	430	3	0.7	13	3.0
Operating supplies and services	209	212	194	(3)	(1.4)	18	9.3
Maintenance materials and supplies	70	73	70	(3)	(4.1)	3	4.3
Customer billing and accounting	51	54	63	(3)	(5.6)	(9)	(14.3)

Other	17	106	56	(89)	(84.0)–	50	89.3
Total	$ 1,091	$ 1,176	$ 1,095	$ (85)	(7.2)	$ 81	7.4

Production Costs

(Dollars in millions)	For the Years Ended December 31, 2017	2016	2015	Increase (Decrease) 2017 vs. 2016 $	%	Increase (Decrease) 2016 vs. 2015 $	%
Purchased water	$ 128	$ 122	$ 117	$ 6	4.9	$ 5	4.3
Fuel and power	89	87	89	2	2.3	(2)	(2.2)
Chemicals	47	47	48	—	—	(1)	(2.1)
Waste disposal	34	32	28	2	6.3	4	14.3
Total	$ 298	$ 288	$ 282	$ 10	3.5	$ 6	2.1

In 2017, production costs increased $10 million, or 3.5%, primarily due to a:

- $6 million increase in purchased water principally due to usage increases in our California subsidiary, the result of the lifting in April 2017 of California water usage restrictions that had been mandated in 2015 due to the state's extreme drought;
- $2 million increase in fuel and power largely attributable to higher system delivery of water and supplier price increases in our Missouri and California subsidiaries; and
- $2 million increase in waste disposal mainly due to higher sludge removal costs in our Illinois and Missouri subsidiaries.

In 2016, production costs increased $6 million, or 2.1%, primarily due to a:

- $5 million increase in purchased water principally due to price increases in our California subsidiary; and a
- $4 million increase in waste disposal largely attributable to higher sludge removal costs in several of our subsidiaries; partially offset by a
- $2 million decrease in fuel and power mainly due to a price decrease in our New Jersey subsidiary.

Employee-Related Costs

(Dollars in millions)	For the Years Ended December 31, 2017	2016	2015	Increase (Decrease) 2017 vs. 2016 $	%	Increase (Decrease) 2016 vs. 2015 $	%
Salaries and wages	$ 334	$ 336	$ 321	$ (2)	(0.6)	$ 15	4.7
Pensions	32	28	30	4	14.3	(2)	(6.7)
Group insurance	54	58	60	(4)	(6.9)	(2)	(3.3)
Other benefits	26	21	19	5	23.8	2	10.5
Total	$ 446	$ 443	$ 430	$ 3	0.7	$ 13	3.0

In 2017, employee-related costs increased $3 million, or 0.7%, primarily due to a:

- $4 million increase in pensions principally due to a lower discount rate in 2017, resulting in increased plan obligations; and a
- $5 million increase in other benefits largely attributable to higher employer 401(k) savings plan contributions and an increase in training costs; partially offset by a
- $4 million decrease in group insurance mainly due to lower medical claims experienced in 2017 and a decrease in other postretirement benefit plan costs resulting from plan amendments approved in 2016, offset in part by higher enrollment in 2017 and increases in group

insurance rates.

In 2016, employee-related costs increased $13 million, or 3.0%, primarily due to a:

- $15 million increase in salaries and wages principally due to higher annual performance plan expense and an increase in compensation expense in support of the growth of the business, offset in part by an increase in capitalized labor attributable to higher capital investment; partially offset by a

- $2 million decrease in group insurance largely attributable to a $10 million decrease in other postretirement benefit plan costs resulting from plan amendments approved in 2016, offset in part by $9 million of higher medical claims experienced in 2016.

Operating Supplies and Services

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Contracted services	$ 84	$ 84	$ 81	$ —	—	$ 3	3.7
Office supplies and services	49	45	44	4	8.9	1	2.3
Transportation	14	13	16	1	7.7	(3)	(18.8)
Rents	15	14	14	1	7.1	—	—
Other	47	56	39	(9)	(16.1)	17	43.6
Total	$ 209	$ 212	$ 194	$ (3)	(1.4)	$ 18	9.3

In 2017, operating supplies and services decreased $3 million, or 1.4%, primarily due to a:

- $9 million decrease in other principally due to charges recorded in 2016, including a $5 million write-off of timekeeping system costs that were previously capitalized and a $7 million judgment in litigation; partially offset by a
- $4 million increase in office supplies and services largely attributable to higher employee relocation, telecommunication and office supplies expense.

In 2016, operating supplies and services increased $18 million, or 9.3%, primarily due to a:

- $17 million increase in other principally due to a $5 million write-off of timekeeping system costs that were previously capitalized and a $7 million judgment in litigation, both recorded in 2016, and a $3 million adjustment recorded in 2015 to recognize previously expensed business transformation costs as a regulatory asset in our California subsidiary, resulting from a rate case decision.

Maintenance Materials and Supplies

In 2017, maintenance materials and supplies decreased $3 million, or 4.1%, primarily due to lower tank painting expense in our New Jersey subsidiary and the timing of maintenance activities.

In 2016, maintenance materials and supplies increased $3 million, or 4.3%, primarily due to a:

- $10 million increase in tank painting expense in several of our subsidiaries; partially offset by a
- $5 million decrease in main breaks driven by milder winter weather in 2016.

Customer Billing and Accounting

In 2017 and 2016, customer billing and accounting decreased $3 million and $9 million, or 5.6% and 14.3%, respectively. The decrease in both years was primarily due to lower customer uncollectible expense attributable to focused collection efforts.

Other

In 2017, other operation and maintenance decreased $89 million, or 84.0%, primarily due to a:

- $65 million net charge recorded in 2016, resulting from the binding global agreement in principle to settle claims associated with the

Freedom Industries chemical spill in West Virginia, and a $22 million benefit recorded in 2017, resulting from a related insurance settlement with one of our general liability insurance carriers; and

- $5 million decrease in casualty insurance expense attributable to a lower claims experience.

In 2016, other operation and maintenance expenses increased $50 million, or 89.3%, primarily due to a:

- $65 million charge recorded in 2016, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia; partially offset by a

- $15 million decrease in casualty insurance expense attributable to a lower claims experience.

Operating Expenses, net.

In 2017, operating expenses, net decreased $71 million, or 3.8%, primarily due to a:

- $85 million decrease in operation and maintenance expense as explained above; and a
- $7 million gain recognized on a land sale in our Kentucky subsidiary; partially offset by a
- $22 million increase in depreciation and amortization expense attributable to additional utility plant placed in service; included in the 2017 expense amount was the impact of revised rates from a depreciation study approved by the ICC in our Illinois subsidiary, resulting in lower depreciation expense of $16 million.

In 2016, operating expenses, net increased $120 million, or 6.9%, primarily due to a:

- $81 million increase in operation and maintenance expense as explained above;
- $30 million increase in depreciation and amortization expense attributable to additional utility plant placed in service and incremental depreciation and amortization expense resulting from our acquisition of Keystone in the third quarter of 2015; and
- $14 million increase in general taxes principally due to incremental property and gross receipts taxes.

Market-Based Businesses

The following table summarizes certain financial information for our Market-Based Businesses and the ensuing discussions provide explanations for the variance related to operating revenues:

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Operating revenues	$ 422	$ 451	$ 434	$ (29)	(6.4)	$ 17	3.9
Operation and maintenance	337	372	358	(35)	(9.4)	14	3.9
Operating expenses, net	360	391	370	(31)	(7.9)	21	5.7
Net income attributable to common stockholders	38	39	42	(1)	(2.6)	(3)	(7.1)

Operating Revenues

In 2017, operating revenues decreased $29 million, or 6.4%, primarily due to a:

- $56 million decrease in our Military Services Group principally due to lower capital upgrades in 2017, largely driven by reduced military base budgets and the completion of a large project in mid-2016 at Fort Polk; and a
- $6 million decrease in our Contract Operations Group largely attributable to the completion of several contracts in 2017; partially offset by a
- $18 million increase in our Homeowner Services Group mainly due to contract growth, as well as expansion into new geographic areas and price increases for existing customers; and a
- $16 million increase in Keystone primarily due to an increase in operations as a result of market recovery in the natural gas industry.

In 2016, operating revenues increased $17 million, or 3.9%, primarily due to a:

- $15 million increase from Keystone, which was acquired in the third quarter of 2015;

- $11 million increase in our Homeowner Services Group mainly due to contract growth, as well as expansion into new geographic areas and price increases for existing customers; and a

- $11 million increase in our Contract Operations Group largely attributable to contract growth, specifically from our contract in Camden, New Jersey; partially offset by a

- $21 million decrease in our Military Services Group principally due to lower capital upgrades in 2016, offset in part by incremental revenues from the addition of the Vandenberg Air Force Base contract in 2016.

Operation and Maintenance

The following table and ensuing discussions provide explanations for the variances related to the major components of operation and maintenance expense:

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
(Dollars in millions)				$	%	$	%
Production costs	$ 37	$ 35	$ 36	$ 2	5.7	$ (1)	(2.8)
Employee-related costs	97	94	76	3	3.2	18	23.7
Operating supplies and services	121	165	182	(44)	(26.7)	(17)	(9.3)
Maintenance materials and supplies	67	68	57	(1)	(1.5)	11	19.3
Other	15	10	7	5	50.0	3	42.9
Total	$ 337	$ 372	$ 358	$ (35)	(9.4)	$ 14	3.9

In 2017, operation and maintenance expense decreased $35 million, or 9.4%, primarily due to a:

- $44 million decrease in operating supplies and services principally due to lower capital upgrades in our Military Services Group in 2017, as discussed above, as well as lower advertising and marketing expense in our Homeowners Services Group; partially offset by a
- $3 million increase in employee-related costs largely attributable to higher headcount in Keystone due to an increase in operations as a result of market recovery in the natural gas industry, offset in part in our Contract Operations Group as several contracts were completed in 2017; and a
- $5 million increase in other mainly due to an increase in customer uncollectible expense in our Homeowner Services Group as a result of contract growth in 2017.

In 2016, operation and maintenance expense increased $14 million, or 3.9%, primarily due to a:

- $11 million increase from Keystone, which was acquired in the third quarter of 2015, including $8 million in employee-related costs and $1 million each in production costs, operating supplies and services, and an;
- $11 million increase in maintenance materials and supplies largely attributable to contract growth in our Homeowner Services and Contract Operations Groups, and higher claims, marketing expenses and costs associated with our investment in a new customer information system in our Homeowner Services Group; and a
- $10 million increase in employee-related costs principally due to the addition of the Vandenberg Air Force Base contract in 2016, and increased headcount resulting from contract growth in our Homeowner Services and Contract Operations Groups; partially offset by a
- $18 million decrease in operating supplies and services mainly due to lower capital upgrades in our Military Services Group, as discussed above.

Liquidity and Capital Resources

We regularly evaluate and monitor our cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. Our business is capital intensive, with a majority of this capital funded by cash flows from operations. When necessary, we also obtain funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings. We also have access to equity capital markets, if needed. Our access to external financing on reasonable terms depends on our credit ratings and current business conditions, including that of the utility and water utility industries in general, as well as conditions in the debt or equity capital markets, and the national and international economic and geopolitical arenas. If these business, market, financial and other conditions deteriorate to the extent that we no longer are able to access the capital markets on reasonable terms, we have access to an unsecured revolving credit facility with aggregate bank commitments of $1.75 billion, with an expiration date of June 2020 (subject to extension by us for up to two one-year periods). We rely on this revolving credit facility and the capital markets to fulfill our short-term liquidity needs, to issue letters of credit and to support our $1.6 billion commercial paper program. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit our ability to issue debt and equity securities in the capital markets. See “Credit Facilities and

Short-Term Debt" for further discussion.

In order to meet our short-term liquidity needs, we, through AWCC, our wholly owned financing subsidiary, issue commercial paper, which is supported by the revolving credit facility. As of December 31, 2017, AWCC had no outstanding borrowings and $84 million of outstanding letters of credit under its revolving credit facility, with $1.75 billion available to fulfill our short-term liquidity needs and to issue letters of credit, which supported $905 million in outstanding commercial paper. We believe that our ability to access the capital markets, our revolving credit facility and our cash flows from operations will generate sufficient cash to fund our short-term requirements. We have no plans to issue equity under normal operating conditions in the foreseeable future with the limited exception of privately or investor-owned acquisitions whose sellers require equity as necessary to complete the acquisition. We believe we have sufficient liquidity and the ability to manage our expenditures, should there be a disruption of the capital and credit markets. However, we can provide no assurances that the lenders will meet their existing commitments to AWCC under the revolving credit facility or that we will be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all.

In addition, our regulated subsidiaries receive advances and contributions from customers, home builders and real estate developers to fund construction necessary to extend service to new areas. Advances for construction are refundable for limited periods, which vary according to state regulations, as new customers begin to receive service or other contractual obligations are fulfilled. Amounts which are no longer refundable are reclassified to contributions in aid of construction. Utility plant funded by advances and contributions is excluded from our Regulated Businesses rate base. Generally, we depreciate contributed property and amortize contributions in aid of construction at the composite rate of the related property. Some of our subsidiaries do not depreciate contributed property, based upon regulatory guidelines. The taxability of advances and contributions in aid of construction was changed with the enactment of the TCJA. Previously, the majority of advances and contributions that we collected were not taxable however, with the enactment of the TCJA, they will be taxable going forward. Regulatory treatment for advances and contributions under the TCJA has not yet been defined and we are working with our regulatory jurisdictions to determine impacts to the Company and our customers.

We use our capital resources, including cash, primarily to: (i) fund operating and capital requirements; (ii) pay interest and meet debt maturities; (iii) pay dividends; (iv) fund acquisitions; and (v) fund pension and postretirement benefit obligations. We invest a significant amount of cash on regulated capital projects where we expect to earn a long-term return on investment. Additionally, we operate in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Economic Regulation and Rate Making. We expect to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since we expect our capital investments over the next few years to be greater than our cash flows from operating activities, we have no plans to reduce debt significantly. If necessary, we may delay certain capital investments or other funding requirements, or pursue financing from other sources to preserve liquidity. In this event, we believe we can rely upon cash flows from operations to meet our obligations and fund our minimum required capital investments for an extended period of time.

With the enactment of the TCJA and the reduction of the U.S. federal corporate income tax rate from 35% to 21%, we anticipate a decrease in future revenue authorizations associated with our Regulated Businesses, initially leading to lower cash flows. We expect this cash flow impact to decline over time, as our Regulated Businesses' rate base grows, the result of lower deferred income tax liabilities, which offset rate base. The lower deferred income tax liabilities are mainly due to: (i) a lower U.S. federal corporate income tax rate; (ii) the normalization (refunding to customers) of the re-measured deferred income tax liabilities over the remaining life of the associated assets; and (iii) the loss of future bonus depreciation deductions on capital projects that began after September 27, 2017.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Our future cash flows provided by operating activities will be affected by, among other things: economic utility regulation; inflation; compliance with environmental, health and safety standards; production costs; customer growth; declining customer usage of water; employee-related costs, including pension funding; weather and seasonality; taxes; and overall economic conditions.

We expect that the enactment of the TCJA to be accretive to our consolidated earnings over time through: (i) growth in rate base for the same level of expected capital expenditures due to the impact of the lower U.S. federal corporate income tax rate and the re-measurement of our deferred income tax assets and liabilities; (ii) increased earnings in our Market-Based Businesses due to the lower U.S. federal corporate income tax rate; all partially offset by (iii) the impact of increased debt due to lower cash flows from operations. We believe that we will likely begin paying federal income taxes towards the end of 2019, when we expect our federal NOL carryforwards balance will be fully benefited or used, and expect to be a full cash taxpayer by 2020, although this timing could be impacted by any significant changes in our future results of operations and the outcome of regulatory proceedings regarding the TCJA.

Cash flows provided by operating activities have been a reliable, steady source of funding, sufficient to meet operating requirements, make our dividend payments and fund a portion of our capital expenditure requirements. We expect to seek access to debt capital markets to meet the balance of our capital expenditure requirements as needed. We also have access to equity capital markets, if needed. Operating cash flows can be negatively affected by changes in our rate regulated environments or changes in our customers' economic outlook and ability to pay for service in a timely manner. As such, our working capital needs are primarily limited to funding increases in customer accounts receivable and unbilled revenues, mainly associated with revenue increases in our Regulated Businesses. We can provide no assurance that our customers' historical payment pattern will continue in the future. Sometimes our current liabilities exceed current assets because of our debt due within one year and the periodic use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, as well as cash needs which can fluctuate significantly due to the seasonality of the business, stage of our acquisitions and construction projects. We address cash timing differences through the aforementioned liquidity funding mechanisms.

The following table provides a summary of the major items affecting our cash flows provided by operating activities:

	For the Years Ended December 31,		
(In millions)	**2017**	**2016**	**2015**
Net income	$ 426	$ 468	$ 476
Add (less):			
Depreciation and amortization	492	470	440
Deferred income taxes and amortization of investment tax credits	462	295	312
Other non-cash activities (a)	16	35	37
Impact of Freedom Industries settlement activities	(22)	65	—
Changes in working capital (b)	123	9	(13)
Pension and postretirement benefit contributions	(48)	(53)	(57)
Net cash flows provided by operating activities	$ 1,449	$ 1,289	$ 1,195

(a) Includes provision for losses on accounts receivable, gain on asset dispositions and purchases, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found in the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net.

In 2017, cash flows provided by operating activities increased $160 million, primarily due to an increase in net income after non-cash adjustments, including the impact of the enactment of the TCJA, and an increase in cash flows from working capital. The main factors contributing to the net income increase are described in the "Consolidated Results of Operations" section and include higher operating revenues, partially offset by higher income taxes due to a $125 million re-measurement charge resulting from the impact of the change in the federal tax rate on the Company's deferred income taxes from the enactment of the TCJA. The increase in non-cash activities was mainly attributable to the increase in deferred income taxes, as mentioned above, and an increase in depreciation and amortization due to additional utility plant placed in service. The change in working capital was principally due to: (i) the timing of accounts payable and accrued liabilities, including the accrual recorded during 2016 for the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia; (ii) a decrease in unbilled revenues as a result of our Military Services Group achieving significant capital project milestones during 2016; and (iii) a change in other current assets and liabilities, including the decrease in other current assets associated with the termination of our four forward starting swap agreements and timing of payments clearing our cash accounts.

In 2016, cash flows provided by operations increased $94 million, primarily due to an increase in net income after non-cash adjustments, including the impact of the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia, and an increase in cash flows from working capital. The main factors contributing to the net income increase are described in the "Consolidated Results of Operations" section and include higher operating revenues, partially offset by higher O&M expenses. The increase in non-cash activities was mainly attributable to an increase in depreciation and amortization due to additional utility plant placed in service. The change in working capital was principally due to: (i) a change in accounts receivable and unbilled revenues resulting from continuous improvement in our Regulated Businesses' collection efforts, as well as a decrease in unbilled revenues in our Military Services Group attributable to lower capital upgrades in 2016 as compared to the same period in 2015; (ii) the timing of accounts payable and accrued liabilities; and (iii) a change in other current assets and liabilities.

The Company expects to make pension and postretirement contributions to the plan trusts up to $45 million in 2018. In addition, we estimate that contributions will amount to $47 million, $47 million, $51 million and $58 million in 2019, 2020, 2021 and 2022, respectively. Actual amounts contributed could change materially from these estimates as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows Used in Investing Activities

The following table provides a summary of the major items affection our cash flows used in investing activities:

	For the Years Ended December 31,		
(In millions)	**2017**	**2016**	**2015**
Capital expenditures	$ (1,434)	$ (1,311)	$ (1,160)
Acquisitions	(177)	(204)	(197)
Other investing activities, net (a)	(61)	(75)	(102)
Net cash flows used in investing activities	$ (1,672)	$ (1,590)	$ (1,459)

(a) Includes removal costs from property, plant and equipment retirements and proceeds from sale of assets and securities.

In 2017 and 2016, cash flows used in investing activities increased primarily due to an increase in our regulated capital expenditures, principally from incremental investments associated with the replacement and renewal of our transmission and distribution infrastructure in our Regulated Businesses.

Our infrastructure investment plan consists of both infrastructure renewal programs, where we replace infrastructure, as needed, and major capital investment projects, where we construct new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. Our projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

The following table provides a summary of our historical capital expenditures related to the upgrading of our infrastructure and systems:

	For the Years Ended December 31,		
(In millions)	**2017**	**2016**	**2015**
Transmission and distribution	$ 551	$ 568	$ 527
Treatment and pumping	171	151	136
Services, meter and fire hydrants	281	297	214
General structure and equipment	281	202	174
Sources of supply	54	59	53
Wastewater	96	34	56
Total capital expenditures	$ 1,434	$ 1,311	$ 1,160

In 2017, our capital expenditures increased $123 million, or 9.4%, primarily due to investment in our general structure and equipment and wastewater categories. In 2016, our capital expenditures increased $151 million, or 13.0%, principally due to investment across the majority of our infrastructure categories.

We also grow our business through acquisitions of water and wastewater systems, as well as other water-related services. These acquisitions are complementary to our existing business and support continued geographical diversification and growth of our operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with the proceeds from long-term debt.

The following provides a summary of the acquisitions and dispositions affecting our cash flows from investing activities:

2017:

- The majority of cash paid for acquisitions pertained to the $159 million purchase of the McKeesport system, excluding a $5 million non-escrowed deposit made in 2016.
- Paid $18 million for 16 water and wastewater systems, excluding the McKeesport system and Shorelands (a stock transaction), representing approximately 7,000 customers.

- Received $15 million for the sale of assets and securities.

2016:

- Paid $199 million for 15 water and wastewater systems, representing approximately 42,000 customers.
- Made a non-escrowed deposit of $5 million related to the McKeesport system acquisition.

- Received $9 million for the sale of assets and securities.

2015:

- Paid $133 million for the acquisition of our 95% interest in Water Solutions Holdings, LLC, the parent company of Keystone.
- Paid $64 million for 14 water and wastewater systems, representing approximately 24,000 customers.
- Received $5 million for the sale of assets and securities.

As previously noted, we expect to invest between $8.0 billion to $8.6 billion from 2018 to 2022, with $7.2 billion of this range for infrastructure improvements in our Regulated Businesses. In 2018, we expect to invest between $1.6 billion to $1.8 billion, with a range of $1.4 billion to $1.5 billion for infrastructure improvements in our Regulated Businesses. Also in 2018, we expect to invest between $120 million to $240 million for acquisitions in our Regulated Businesses, and approximately $100 million for strategic growth opportunities, including the construction of our new corporate headquarters in Camden, New Jersey, which is expected to be completed during the second half of 2018 and is eligible for tax credits from New Jersey's Economic Development Authority.

Cash Flows from Financing Activities

Our financing activities, primarily focused on funding infrastructure construction expenditures, include the issuance of long-term and short-term debt, primarily through AWCC. In addition, new infrastructure may be funded with customer advances and contributions in aid of construction, net of refunds, which amounted to $28 million, $16 million and $26 million for the years ended December 31, 2017, 2016 and 2015, respectively. Based on the needs of our Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and the parent company. The Regulated Businesses and the parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. The parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, the parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2017, AWCC has made long-term fixed rate loans and commercial paper loans to our Regulated Businesses amounting to $3.9 billion and $586 million, respectively. Additionally, as of December 31, 2017, AWCC has made long-term fixed rate loans and commercial paper loans to the parent company amounting $1.6 billion and $319 million, respectively.

On August 10, 2017, AWCC completed a $1.35 billion debt offering which included the sale of $600 million aggregate principal amount of its 2.95% Senior Notes due 2027, and $750 million aggregate principal amount of its 3.75% Senior Notes due in 2047. At the closing of the offering, AWCC received, after deduction of underwriting discounts and debt issuance costs, $1.33 billion. On September 13, 2017, AWCC used proceeds from the offering to prepay $138 million of its outstanding 5.62% Series C Senior Notes due December 21, 2018 ("Series C Senior Notes") and $181 million of its outstanding 5.77% Series D Senior Notes due December 21, 2021 ("Series D Senior Notes"). AWCC also used the proceeds of this offering to repay commercial paper obligations and for general corporate purposes, and subsequently, on October 15, 2017, to repay at maturity, $524 million of its 6.085% Senior Notes.

As a result of AWCC's prepayment of the Series C Senior Notes and the Series D Senior Notes, and payment of a make-whole premium amount to the holders thereof of $34 million, we recorded a $6 million charge resulting from the early extinguishment of debt at the parent company. Substantially all of the early debt extinguishment costs allocable to the Regulated Businesses were recorded as regulatory assets for we believe they are probable of recovery in future rates. Approximately $1 million of the early debt extinguishment costs allocable to the Regulated Businesses were amortized in 2017.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, we follow risk management policies and procedures, including the use of derivative contracts such as swaps. We reduce exposure to interest rates by managing commercial paper and debt maturities. We do not enter into derivative contracts for speculative purposes and do not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. We minimize the counterparty credit risk on these transactions by only dealing with leading, credit-worthy financial institutions, having long-term credit ratings of "A" or better.

On August 7, 2017, coinciding with AWCC's $1.35 billion debt offering, we terminated four existing forward starting swap agreements with an aggregate notional amount of $300 million, realizing a gain of $19 million to be amortized through interest, net, over 30 years. On February 8, 2017, and December 11, 2017, we entered into forward starting swap agreements, each with notional amounts of $100 million, to reduce interest rate

exposure on debt expected to be issued in 2018. These forward starting swap agreements terminate in November 2018, and have an average fixed rate of 2.59%. We have designated these forward starting swap agreements as cash flow hedges, with their fair values recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net, over the term of the new debt.

In October 2017, we terminated our interest-rate swap to hedge $100 million of its 6.085% Senior Notes maturing in the fourth quarter of 2017. The Company paid variable interest of six-month LIBOR plus 3.422%, and had designated this interest rate swap as a fair value hedge, accounted for at fair value with gains or losses, as well as the offsetting gains or losses on the hedged item, recognized in interest, net. The net gain and loss recognized by the Company was de minimis for the periods ended December 31, 2017 and 2016.

In May 2015, the parent company and AWCC filed with the SEC, a universal shelf registration statement that enables us to meet our capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration will expire in May 2018. During 2017, 2016 and 2015, $1.35 billion, $550 million and $550 million, respectively, of debt securities were issued pursuant to this registration statements.

The following table details the issuances of long-term debt in 2017:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC	Senior notes—fixed rate	2.95%-3.75%	2027-2047	$ 1,350
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.44%	2020-2037	31
Other American Water subsidiaries	Mortgage bonds—fixed rate	3.92%	2020	$ 3
Other American Water subsidiaries	Term loan	4.62%-5.12%	2021	$ 11
Total issuances				$ 1,395

The following table details the long-term debt that was retired through sinking fund provisions, optional redemption or payment at maturity during 2017:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC	Senior notes—fixed rate	5.62%-6.09%	2017-2021	$ 844
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.38%	2017-2041	15
Other American Water subsidiaries	Mortgage bonds—fixed rate	7.08%	2017	33
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Other American Water subsidiaries	Term loan	4.31%-5.31%	2021	1
Total retirements and redemptions				$ 896

The following table details the issuances of long-term debt in 2016:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC (a)	Senior notes—fixed rate	3.00%-4.00%	2026-2046	$ 550
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	1.00%-1.36%	2026-2037	3
Total issuances				$ 553

(a) On November 17, 2016, AWCC completed an offering of its senior fixed rate notes. Proceeds from this offering were used to lend funds to the Company and its Regulated Businesses, to repay commercial paper borrowings and for general corporate purposes.

The following table details the long-term debt that was retired through sinking fund provisions, optional redemption or payment at maturity during 2016:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC	Senior notes—fixed rate	5.52%	2016	$ 37
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.30%	2016-2041	104
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Total retirements and redemptions				$ 144

The following table details the issuances of long-term debt in 2015:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC (a)	Senior notes—fixed rate	3.40%-4.30%	2025-2045	$ 550
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	1.00%-1.56%	2032	15
Total issuances				$ 565

(a) On August 13, 2015, AWCC completed an offering of its senior fixed rate notes. Proceeds from this offering were used to lend funds to the Company and its Regulated Businesses, to repay commercial paper borrowings and to finance redemptions of long-term debt.

The following table details the long-term debt that was retired through sinking fund provisions, optional redemption or payment at maturity during 2015:

Company	Type	Rate	Maturity	Amount (In millions)
AWCC	Senior notes—fixed rate	6.00%	2015	30
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-5.25%	2015-2031	$ 36
Other American Water subsidiaries (a)	Private activity bonds and government funded debt—fixed rate	0.00%-5.40%	2015-2041	61
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	4
Total retirements and redemptions				$ 131

(a) Includes $2 million of non-cash redemptions resulting from the use of restricted funds.

From time to time and as market conditions warrant, we may engage in long-term debt retirements through tender offers, open market repurchases or other viable alternatives to strengthen our balance sheets.

In February 2015, our Board of Directors authorized an anti-dilutive, common stock repurchase program to mitigate the effect of shares issued through our dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock, over an unrestricted period of time, in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and to facilitate the repurchases, we have also entered into Rule 10b5-1 share repurchase plans with a third-party broker, which allows us to repurchase shares at times when we may otherwise be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, we may elect to amend or cancel this repurchase program or the share repurchase parameters at our discretion. As of December 31, 2017, we have repurchased an aggregate of 3,950,000 shares of common stock under this program.

Credit Facilities and Short-Term Debt

We have an unsecured revolving credit facility of $1.75 billion that expires in June 2020. In March 2016, and under the terms of the revolving credit agreement dated June 30, 2015, AWCC exercised its right to increase its borrowing capacity available under our revolving credit facility from the aggregate maximum of $1.25 billion, to $1.75 billion. All other terms, conditions and covenants with respect to the existing facility remained unchanged. On June 30, 2015, AWCC and its lenders extended the termination date of the revolving credit facility from October 2018, to June 2020. This amended and restated agreement also allowed AWCC to request to extend further the term of the credit facility for up to two one-year periods. An extension request must satisfy certain conditions and receive approval of the lenders, as set forth in the revolving credit agreement.

Interest rates on advances under the facility are based on a credit spread to the Eurodollar rate or base rate in accordance with AWCC's then-applicable Moody Investors Service or Standard & Poor's Ratings Services credit rating. At current ratings, that spread would be 0.90%. The facility is used principally to support AWCC's commercial paper program and to provide up to $150 million in letters of credit. Indebtedness under the facility is considered "debt" for purposes of a support agreement between the Company and AWCC, which serves as a functional equivalent of a guarantee by the Company of AWCC's payment obligations under the credit facility.

AWCC also has an outstanding commercial paper program that is backed by the revolving credit facility, the maximum aggregate outstanding amount of which was increased on March 22, 2016, from $1.0 billion to $1.6 billion.

Keystone has its own line of credit facility with a maximum availability of up to $12 million, the actual amount of which is determined pursuant to a collateral base calculation. Borrowings under this facility are payable upon demand with interest being paid monthly. Interest accrues each day at a rate per annum equal to 2.75% above the greater of the one month or one day LIBOR. The borrowing base under the facility allows for financing up to the greater of the note or 80% of eligible accounts receivable. Based on the collateral assets at December 31, 2017, $7 million was available to borrow. At December 31, 2017, there were no outstanding borrowings.

The following table summarizes information regarding the Company's aggregate credit facility commitments, letter of credit sub-limits and available funds under those revolving credit facilities, as well as outstanding amounts of commercial paper and outstanding borrowings under the respective facilities as of December 31, 2017 and 2016:

(Dollars in millions)	Credit Facility Commitment	Available Credit Facility Capacity	Letter of Credit Sublimit	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
December 31, 2017	$ 1,762	$ 1,673	$ 150	$ 66	$ 1,600	$ 695
December 31, 2016	1,766	1,668	150	62	1,600	751

The weighted-average interest rate on AWCC short-term borrowings for the years ended December 31, 2017 and 2016 was approximately 1.24% and 0.78%, respectively.

Capital Structure

The following table indicates the percentage of our capitalization represented by the components of our capital structure as of December 31:

	2017	2016	2015
Total common stockholders' equity	41.0%	42.1%	43.5%
Long-term debt and redeemable preferred stock at redemption value	49.6%	46.4%	50.6%
Short-term debt and current portion of long-term debt	9.4%	11.5%	5.9%
Total	100%	100%	100%

The changes in the capital structure between periods were mainly attributable to an increase in the current portion of long-term debt.

Debt Covenants

Our debt agreements contain financial and non-financial covenants. To the extent that we are not in compliance with these covenants, an

event of default may occur under one or more debt agreements and we or our subsidiaries may be restricted in our ability to pay dividends, issue new debt or access our revolving credit facility. Our long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Our failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require us to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2017, our ratio was 0.59 to 1.00 and therefore we were in compliance with the covenants.

Security Ratings

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

The following table presents our long-term and short-term credit rating and rating outlook as of February 20, 2018:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating Outlook	Negative	Stable
Senior unsecured debt	A3	A
Commercial paper	P-2	A-1

On January 19, 2018, Moody's Investors Service changed the rating outlooks to negative, from stable, for 24 regulated utilities and utility holding companies, including the Company, all of which were primarily impacted by enactment of the TCJA. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon our ability to generate cash flows in an amount sufficient to service our debt and meet our investment plans. We can provide no assurances that our ability to generate cash flows is sufficient to maintain our existing ratings. None of our borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under our credit facility.

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

Dividends

Our Board of Directors authorizes the payment of dividends. Our ability to pay dividends on our common stock is subject to having access to sufficient sources of liquidity, the net income and cash flows of our subsidiaries, the receipt of dividends and repayments of indebtedness from our subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements, and other factors. The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. Historically, dividends have been paid quarterly to holders of record less than 30 days prior to the distribution date. Since the dividends on our common stock are not cumulative, only declared dividends are paid.

During 2017, 2016 and 2015, we paid $289 million, $261 million and $239 million in cash dividends, respectively. The following table summarizes the per share cash dividends paid for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
December	$ 0.415	$ 0.375	$ 0.34
September	$ 0.415	$ 0.375	$ 0.34
June	$ 0.415	$ 0.375	$ 0.34
March	$ 0.375	$ 0.34	$ 0.31

On December 8, 2017, our Board of Directors declared a quarterly cash dividend payment of $0.415 per share payable on March 1, 2018, to stockholders of record as of February 7, 2018.

Regulatory Restrictions

The issuance by the Company or AWCC of long-term debt or equity securities does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. However, state PUC authorization is required to issue long-term debt at most of our regulated subsidiaries. Our regulated subsidiaries normally obtain the required approvals on a periodic basis to cover their anticipated financing needs for a period of time or in connection with a specific financing.

Under applicable law, our subsidiaries can pay dividends only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the dividends that the subsidiary can distribute to us. Furthermore, the ability of our subsidiaries to pay upstream dividends or repay indebtedness to American Water is subject to compliance with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations, and other agreements or covenants made or entered into by American Water and its subsidiaries.

Insurance Coverage

We carry various property, casualty and financial insurance policies with limits, deductibles and exclusions that we believe are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going forward basis. We are self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on our short-term and long-term financial condition and our results of operations and cash flows.

Contractual Obligations and Commitments

We enter into contractual obligations with third parties in the ordinary course of business. Information related to our contractual obligations as of December 31, 2017 is summarized in the table below:

Contractual obligation (In millions)	Total	1 year or Less	2-3 Years	4-5 years	More Than 5 years
Long-term debt obligations (a)	$ 6,814	$ 320	$ 218	$ 420	$ 5,856
Interest on long-term debt (b)	5,047	324	600	571	3,552
Operating lease obligations (c)	123	15	26	17	65
Purchase water obligations (d)	979	59	130	129	661
Other purchase obligations (e)	235	235	—	—	—
Postretirement benefit plans' obligations (f)	3	—	3	—	—
Pension plan obligations (f)	239	39	91	109	—
Preferred stocks with mandatory redemption requirements	10	2	3	2	3
Interest on preferred stock with mandatory redemption requirements	5	1	1	1	2
Other obligations (g)	1,113	430	213	154	316
Total	$ 14,568	$ 1,425	$ 1,285	$ 1,403	$ 10,455

Note: The above table reflects only financial obligations and commitments. Therefore, performance obligations associated with our Market-Based Businesses are not included in the above amounts. Also, uncertain tax positions of $106 million are not reflected in this table as we cannot predict when open tax years will close with completed examinations. See Note 13—Income Taxes in the Notes to the Consolidated Financial Statements.

(a) Represents sinking fund obligations, debt maturities and capital lease obligations.

(b) Represents expected interest payments on outstanding long-term debt. Amounts reported may differ from actual due to future financing of debt.

(c) Represents future minimum payments under non-cancelable operating leases, primarily for the lease of motor vehicles, buildings, land and other equipment including water facilities and systems constructed by partners under the Public-Private Partnerships described below.

(d) Represents future payments under water purchase agreements for minimum quantities of water.

(e) Represents the open purchase orders as of December 31, 2017 for goods and services purchased in the ordinary course of business.

(f) Represents contributions expected to be made to pension and postretirement benefit plans for the years 2018 through 2022.

(g) Includes an estimate of advances for construction to be refunded, capital expenditures estimated to be required under legal and binding contractual obligations, contracts entered into for energy purchases, a liability associated with a conservation agreement and service agreements.

Public-Private Partnerships

WVAWC has entered into a series of agreements with various public entities, which we refer to as the Partners, to establish certain joint ventures, commonly referred to as "public-private partnerships." Under the public-private partnerships, WVAWC constructed utility plant, financed by WVAWC, and the Partners constructed utility plant (connected to WVAWC's property), financed by the Partners. WVAWC agreed to transfer and convey some of its real and personal property to the Partners in exchange for an equal principal amount of Industrial Development Bonds, commonly referred to as IDBs, issued by the Partners under a state Industrial Development Bond and Commercial Development Act. WVAWC leased back the total facilities, including portions funded by both WVAWC and the Partners, under leases for a period of 40 years.

The leases have payments that approximate the payments required by the terms of the IDBs. These payments are considered "PILOT payments" which represent payments that WVAWC otherwise would pay as property taxes on the properties. We have presented the transaction on a net basis in the Consolidated Financial Statements. The carrying value of the transferred facilities, which is presented in property, plant and equipment in the Consolidated Balance Sheets, was approximately $150 million as of December 31, 2017.

Performance Obligations

We have entered into agreements for the provision of services to water and wastewater facilities for the United States military, municipalities and other customers. These military services agreements expire between 2051 and 2068 and have remaining performance commitments as measured by estimated remaining contract revenues of $3.6 billion as of December 31, 2017. The operations and maintenance agreements with municipalities and other customers expire between 2018 and 2038 and have remaining performance commitments as measured by estimated remaining contract revenue of $711 million as of December 31, 2017. Some of the Company's long-term contracts to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities include responsibility for certain major maintenance for some of the facilities, in exchange for an annual fee.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and make estimates, assumptions and judgments that could significantly affect a company's financial condition, results of operations and cash flows. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on our financial condition, results of operations and cash flows, as reflected in our Consolidated Financial Statements. Management has reviewed the critical accounting polices described below with our audit committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to the Consolidated Financial Statements for additional information.

Rate Regulation and Regulatory Accounting

Our regulated utilities are subject to economic regulation by PUCs and, as such, we follow the authoritative accounting principles required for rate regulated utilities, which requires us to reflect the effects of rate regulation in our Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2017, we concluded that the operations of our utilities met the criteria.

Application of this authoritative guidance has a further effect on our financial statements as it pertains to allowable costs used in the ratemaking process. We make significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by an non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. Regulators may also impose certain fines or penalties.

For each regulatory jurisdiction where we conduct business, we assess, at the end of each reporting period, whether the regulatory assets and liabilities continue to meet the criteria for probable, future recovery or settlement. This assessment includes consideration of factors such as changes in applicable regulatory environments; recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction and the status of any pending or potential legislation that could impact the ability to recover costs through regulated rates. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable, future recovery or settlement, our Consolidated Statements of Operations and financial position could be materially affected. In addition, if we conclude in a future period that a separable portion of the business no longer meets the criteria, we are required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact our Consolidated Financial Statements.

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the maximum U.S. federal corporate income tax rate from 35% to 21% as of January 1, 2018. The TCJA created significant excess deferred income taxes that the Company and its regulatory jurisdictions believe should be refunded to customers. As such, we recorded these amounts as regulatory liabilities. The PUCs in our regulatory jurisdictions have opened formal proceedings related to the TCJA and we have begun working with our regulators on options to provide the income tax savings to our customers, and to address customer rate impacts and cash flow impacts for the Company. The outcome of these proceedings will likely take some time and could vary by regulatory jurisdiction.

As of December 31, 2017 and 2016, our regulatory asset balance was $1.1 billion and $1.3 billion, respectively, and our regulatory liability balance was $1.7 billion and $403 million, respectively. See Note 6—Regulatory Assets and Liabilities in the Notes to Consolidated Financial Statements for further information regarding our significant regulatory assets and liabilities.

Goodwill

As of December 31, 2017 and 2016, our goodwill balance was $1.4 billion and $1.3 billion, respectively. Under GAAP, goodwill must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and evaluated for impairment minimally, once a year. We perform an annual review for impairment of goodwill as of November 30 of each year, or more frequently if we determine that changes in circumstances or a triggering event that would more likely than not, reduce the fair value of a reporting unit below its carrying value, has occurred. Adverse industry or economic trends, lower projections of profitability, or a sustained decline in our market capitalization, among other things, may be indicators of potential goodwill impairment issues, requiring the testing of the carrying value for recoverability.

Entities evaluating goodwill for impairment have the option of first performing a qualitative assessment to determine whether a quantitative assessment is necessary. In performing a qualitative assessment, we assess and makes judgments, among other things, around macroeconomic conditions, industry and market conditions, overall financial performance, cost factors and entity specific events. These factors require significant judgment and estimates, and application of alternative assumptions could produce significantly different results. If it is determined, based upon qualitative factors, that the fair value of a reporting unit is more likely than not, greater than its carrying value, no further testing is required. If an entity bypasses the qualitative assessment, or performs the qualitative assessment but determines that the fair value of a reporting unit is more likely than not, less than its carrying value, a two-step, quantitative fair value assessment is performed.

The first step of a quantitative assessment compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. If the estimated fair value of the reporting unit is less than such reporting unit’s carrying value, then the second step of the quantitative assessment is performed to measure the amount of the impairment loss, if any, for such reporting unit.

The second step of a quantitative assessment requires an allocation of fair value to the individual assets and liabilities of the reporting unit, using purchase price allocation accounting guidance in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying value for the reporting unit, an impairment loss is recorded as a reduction to goodwill and a charge to operating expense. Application of goodwill impairment testing requires significant management judgment, including the identification of reporting units and determining the fair value of the reporting unit. We estimate fair value using a combination of a discounted cash flow analysis and market multiples analysis. Significant assumptions used in these fair value analyses include, but are not limited to, forecasts of future operating results, discount and growth rates, capital expenditures, tax rates, working capital, weighted average cost of capital and projected terminal values. Changes in estimates or the application of alternative assumptions could produce significantly different results.

At November 30, 2017, we completed qualitative assessments for our Regulated Businesses, Military Services Group and Contract Operations Group reporting units, and determined that no qualitative factors were present that would indicate the estimated fair values of these reporting units were less than their respective carrying values. As such, we determined that the two-step, quantitative fair value assessment was not necessary for these reporting units as of November 30, 2017.

At November 30, 2017, we completed step one of the two-step, quantitative assessment for our Homeowner Services Group and Keystone reporting units, and concluded there were no impairments to their respective goodwill carry values. We used an income approach valuation technique which estimates discounted future cash flows from operations, which relies on a single scenario reflecting the best estimate of projected cash flows. The estimated fair value of the Homeowner Services Group reporting unit exceeded its carrying value by more than 156%. The estimated fair value of the Keystone reporting unit exceeded its carrying value by approximately 11%. If further decline in the fair value were to occur, the Keystone reporting unit would be at risk of failing step one of the two-step, quantitative assessment. Additional discussion regarding our goodwill can be found in Note 7—Goodwill and Other Intangible Assets in the Notes to the Consolidated Financial Statements.

Impairment of Long-Lived Assets

Long-lived assets include land, buildings, equipment and long-term investments. Other than land and long-term investments, our long-lived assets are depreciated over their estimated useful lives and are reviewed for impairment whenever changes in circumstances indicate that their carrying value may not be recoverable. Such circumstances include, but are not limited to, a significant decrease in the market value of the long-lived asset, a change in the asset's expected useful life or physical condition, a history of operating or cash flow losses associated with the use of the asset or a significant adverse change in the manner in which the asset is being used or is planned to be used. When such events or changes occur, we estimate the fair value of the long-lived asset from future cash flows expected to result from its use and, if applicable, the eventual disposition of the asset, and compare it to the carrying value of the asset. If the carrying value of the long-lived asset is greater than its fair value, an impairment loss is recognized equal to the amount by which carrying value exceeds fair value. Key variables that must be estimated include assumptions regarding sales volume, rates, operating costs, labor and other benefit costs, capital additions, assumed discount rates and other economic factors. These variables require significant management judgment and include inherent uncertainties, since they are forecasting future events. A variation in the assumptions used could lead to a different conclusion regarding the realizability of a long-lived asset and, thus, could have a significant effect on our Consolidated Financial Statements.

The long-lived assets of our regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable. The fair values of our long-term investments are dependent on the financial performance and solvency of the entities in which we invest, as well as volatility inherent in the external markets, all of which are factors that we consider when assessing the potential impairment of these investments. If such long-term investments are considered impaired, an impairment loss is recognized equal to the amount by which the investment's carrying value exceeds its fair value.

Revenue Recognition

Revenue for our regulated utilities is recognized as water and wastewater services are delivered to customers and includes amounts billed to customers on a cycle basis, and unbilled amounts which are based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for our regulated utilities as of December 31, 2017 and 2016 was $152 million and $161 million, respectively.

Revenues of the Market-Based Businesses are recognized as services are rendered. For certain construction contracts, revenue is recognized over the contract term based on a calculated ratio that compares the costs incurred to date during the period to the total estimated costs for the entire contract. Losses on contracts are recognized during the period in which the loss first becomes probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenue. Billings in excess of revenues recognized on construction contracts are recorded as other current liabilities on the balance sheet until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue for our Market-Based Businesses as of December 31, 2017 and 2016 was $60 million and $102 million, respectively.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of net operating loss carryforwards.

In accordance with applicable authoritative guidance, we account for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

We evaluate the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and our intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. We also assess our ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. We record valuation allowances for deferred tax assets when we conclude it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically Accounting Standards Codification (“ASC”) Topic 740, Income Taxes the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment, the Company’s deferred taxes were re-measured based upon the new tax rate. For our regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or liability and may be subject to refund to customers. For our unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

The staff of the SEC has recognized the complexity of reflecting the impacts of changes in tax law, more specifically the TCJA, and on December 22, 2017, issued guidance in Staff Accounting Bulletin 118 (“SAB 118”) which clarifies accounting for income taxes under ASC 740 if information is not yet available or complete and provides for up to a one year period in which to complete the required analyses and accounting. SAB 118 describes three scenarios or buckets associated with a company’s status of accounting for the TCJA:(1) a company is complete with its accounting for certain effects of tax reform, (2) a company is able to determine a reasonable estimate for certain effects of tax reform and records that estimate as a provisional amount, or (3) a company is not able to determine a reasonable estimate and therefore continues to apply ASC 740, based on the provisions of the tax laws that were in effect immediately prior to the TCJA being enacted. The significant assumptions considered and evaluated by the Company relating to our accounting for the TCJA, include, but are not limited to, the:

- recording of regulatory liabilities from the re-measurement of the Company’s deferred income taxes, and the uncertainty of regulatory treatment in our various jurisdictions in which the Company currently operates;
- allocation of interest deductibility at the parent to our subsidiaries;
- bonus depreciation deductions for assets constructed and placed in service during the period September 28, 2017 through December 31, 2017; and
- normalization periods for our re-measured deferred taxes.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, our forecasted financial condition and results of operations, failure to successfully implement tax planning strategies, recovery of taxes through the regulatory process for our Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. While we believe the resulting tax balances as of December 31, 2017 and 2016 are appropriately accounted for in accordance with the applicable authoritative guidance, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to our Consolidated Financial Statements and such adjustments could be material. See Note 13—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

We maintain noncontributory defined benefit pension plans covering eligible employees of our regulated utility and shared service operations. See Note 14—Employee Benefits in the Notes to Consolidated Financial Statements for further information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due;
- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs we record currently;
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement;
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care; and
- Mortality—Management retained the Society of Actuaries RP-2014 mortality table but adopted the new MP-2017 generational projection scale to project mortality improvements after 2006.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. We use an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. The yield curve was developed for a portfolio containing the majority of United States-issued AA-graded non-callable (or callable with make-whole provisions) corporate bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The discount rate for determining pension benefit obligations was 3.75%, 4.28% and 4.66% at December 31, 2017, 2016 and 2015, respectively. The discount rate for determining other post-retirement benefit obligations was 3.73%, 4.26% and 4.67% at December 31, 2017, 2016 and 2015, respectively.

In selecting an EROA, we considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The long-term EROA assumption used in calculating pension cost was 6.49% for 2017, 7.02% for 2016, and 6.91% for 2015. The weighted average EROA assumption used in calculating other postretirement benefit costs was 5.09% for 2017, 5.37% for 2016 and 4.92% for 2015.

The asset allocations for the Company's U.S. pension plan by asset category were as follows:

	Target Allocation	Percentage of Plan Assets as of December 31,	
Asset Category	2018	2017	2016
Equity securities	43%	44%	49%
Fixed income	50%	49%	42%
Real Estate	5%	5%	7%
Real estate investment trusts ("REITs")	2%	2%	2%
Total	100%	100%	100%

During 2017, the Company reduced the risk of its investments in the pension plan by reducing its exposure to equities from 60% to 50%, and increasing its long duration fixed-income allocation from 40% to 50%. This new structure is designed to reduce the plan's funded status volatility. It is also intended to reduce the pension plan's exposure to interest rates since a higher proportion of long duration fixed-income securities that have a duration similar to that of the pension liabilities should reduce interest rate risk associated with the plan's liabilities.

The Company's other postretirement benefit plans are partially funded. The asset allocations for the Company's other postretirement benefit plans by asset category were as follows:

	Target Allocation	Percentage of Plan Assets as of December 31,	
Asset Category	2018	2017	2016
Equity securities	38%	35%	33%
Fixed income	62%	65%	67%
REITs	—	—	—
Total	100%	100%	100%

The Company's target asset allocation, is evaluated periodically through asset liability studies. The studies consider projected cash flows of maturity liabilities, projected asset class returns and risks, correlations, and the Company's risk tolerance. In 2017, the Company conducted new asset-liability studies for the Post-Retirement Plans and approved new asset allocations for both plans. The Post-Retirement Medical Bargaining plan increased its equity allocation from 20% to 30% due to rising medical claims and medical inflation and the long duration portion of the portfolio was reduced from 80% to 70%. The Post-Retirement Non-Bargaining Medical Plan's allocation was adjusted to reduce volatility and interest rate risk in a manner similar to that described above with respect to the pension plan, reducing the equity allocation from 70% to 60% and increasing the fixed-income allocation from 30% to 40%. The Post-Retirement Medical Non-Bargaining plan's equity allocation was reduced due to the cap on benefits for some non-union participants and the resultant reduction in the plan's liabilities. These changes will be implemented in 2018.

The investments of the pension and postretirement welfare plan trusts include debt and equity securities held either directly or through commingled funds. The trustee for the Company's defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets. Additionally, the Company independently verifies the assets values. Approximately 41% of the assets are valued using the quoted market price for the assets in an active market at the measurement date, while 59% of the assets are valued using other inputs.

In selecting a rate of compensation increase, we consider past experience in light of movements in inflation rates. Our rate of compensation increase was 3.02% for 2017, 3.07% for 2016 and 3.10% for 2015.

In selecting health care cost trend rates, we consider past performance and forecasts of increases in health care costs. As of January 1, 2017, our health care cost trend rate assumption used to calculate the periodic cost was 7% in 2017 gradually declining to 5% in 2021 and thereafter. As of December 31, 2017, the Company is projecting that medical inflation will continue to persist for longer than expected and, it will ultimately trend down to 4.50%, but not until 2026.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. The health care cost trend rate is based on historical rates and expected market conditions. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

Change in Actuarial Assumption (Dollars in millions)	Impact on Other Postretirement Benefit Obligation as of December 31, 2017	Impact on 2017 Total Service and Interest Cost Components
Increase assumed health care cost trend by 1%	$ 73	$ 5
Decrease assumed health care cost trend by 1%	$ (60)	$ (4)

We will use a discount rate and EROA of 3.75% and 5.95%, respectively, for estimating our 2018 pension costs. Additionally, we will use a discount rate and expected blended return based on weighted assets of 3.73% and 4.77%, respectively, for estimating our 2018 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase our pension expense. Our 2017 and 2016 pension and postretirement benefit costs were $56 million and $54 million, respectively. The Company expects to make pension and postretirement benefit contributions to the plan trusts up to $45 million in 2018, and $47 million, $47 million, $51 million and $58 million in 2019, 2020, 2021 and 2022, respectively. Actual amounts contributed could change significantly from these estimates. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards. As these assumptions change from period to period, recorded pension and postretirement benefit amounts and funding requirements could also change.

Accounting for Contingencies

We record loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limed to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. We provide disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. We provide estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement of contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. For a discussion of contingencies, see Note 15—Commitments and Contingencies in the Notes to Consolidated Financial Statements.

New Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk associated with changes in commodity prices, equity prices and interest rates. We are exposed to risks from changes in interest rates as a result of our issuance of variable and fixed rate debt and commercial paper. We manage our interest rate exposure by limiting our variable rate exposure and by monitoring the effects of market changes in interest rates. We also have the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps, swaptions and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2017, a hypothetical increase of interest rates by 1% associated with our short-term borrowings would result in an $8 million increase in short-term interest expense.

The Company has two forward starting swap agreements with an aggregate notional amount of $200 million to reduce interest rate exposure on debt expected to be issued in 2018. The forward starting swap agreements terminate in November 2018 and have an average fixed rate of 2.59%. When entering into forward starting interest rate swaps, the Company is subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the forward starting interest rate swaps. We manage market risk by matching terms of the swaps with the critical terms of the expected debt issuance. The fair value of the forward starting swaps at December 31, 2017 was in a loss position of $3 million. A hypothetical 1% adverse change in interest rates would result in a decrease in the fair value of our forward starting swaps of approximately $32 million at December 31, 2017.

Our risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on our results of operations, financial position and cash flows.

The market price of our common stock may experience fluctuations, which may be unrelated to our operating performance. In particular, our stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for us to access the capital markets in the future through additional offerings of our common stock, regardless of our financial performance, and such difficulty may preclude us from being able to take advantage of certain business opportunities or meet business obligations.

We are exposed to credit risk through our water, wastewater and other water-related services provided by our Regulated Businesses and Market-Based Businesses. Our Regulated Businesses serve residential, commercial, industrial and other customers while our Market-Based Businesses engage in business activities with developers, government entities and other customers. Our primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. Our credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. Our credit portfolio is diversified with no significant customer or industry concentrations. In addition, our Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. We aim to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of our pension liabilities, seeking to hedge some of the interest rate sensitivity of our liabilities. That way, if interest rates fall and liabilities increase, we expect that the fixed-income assets in our retirement trust will also increase in value. We also expect our risk to be reduced through our ability to recover pension and other benefit costs through rates.

We are also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which we operate. The credit quality of our customer accounts receivable is dependent on the economy and the ability of our customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, our ability to fully recover operating expense, recover our investment and provide an appropriate return on invested capital made in our Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, of comprehensive income, of cash flows, and of changes in stockholders' equity for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016**,** and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 20, 2018

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2017	December 31, 2016
ASSETS		
Property, plant and equipment	$ 21,716	$ 19,954
Accumulated depreciation	(5,470)	(4,962)
Property, plant and equipment, net	16,246	14,992
Current assets:		
Cash and cash equivalents	55	75
Restricted funds	27	20
Accounts receivable, net	272	269
Unbilled revenues	212	263
Materials and supplies	41	39
Other	113	118
Total current assets	720	784
Regulatory and other long-term assets:		
Regulatory assets	1,061	1,289
Goodwill	1,379	1,345
Other	76	72
Total regulatory and other long-term assets	2,516	2,706
TOTAL ASSETS	$ 19,482	$ 18,482

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2017	December 31, 2016
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 182,508,564 and 181,798,555 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,432	6,388
Accumulated deficit	(723)	(873)
Accumulated other comprehensive loss	(79)	(86)
Treasury stock, at cost (4,064,010 and 3,701,867 shares, respectively)	(247)	(213)
Total common stockholders' equity	5,385	5,218
Long-term debt	6,490	5,749
Redeemable preferred stock at redemption value	8	10
Total long-term debt	6,498	5,759
Total capitalization	11,883	10,977
Current liabilities:		
Short-term debt	905	849
Current portion of long-term debt	322	574
Accounts payable	195	154
Accrued liabilities	630	609
Taxes accrued	33	31
Interest accrued	73	63
Other	167	112
Total current liabilities	2,325	2,392
Regulatory and other long-term liabilities:		
Advances for construction	271	300
Deferred income taxes, net	1,551	2,596
Deferred investment tax credits	22	23
Regulatory liabilities	1,664	403
Accrued pension expense	384	419
Accrued postretirement benefit expense	40	87
Other	66	67
Total regulatory and other long-term liabilities	3,998	3,895
Contributions in aid of construction	1,276	1,218
Commitments and contingencies (See Note 15)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 19,482	$ 18,482

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2017	2016	2015
Operating revenues	$ 3,357	$ 3,302	$ 3,159
Operating expenses:			
Operation and maintenance	1,378	1,504	1,404
Depreciation and amortization	492	470	440
General taxes	259	258	243
Gain on asset dispositions and purchases	(16)	(10)	(3)
Total operating expenses, net	2,113	2,222	2,084
Operating income	1,244	1,080	1,075
Other income (expense):			
Interest, net	(342)	(325)	(308)
Loss on early extinguishment of debt	(7)	—	—
Other, net	17	15	15
Total other income (expense)	(332)	(310)	(293)
Income before income taxes	912	770	782
Provision for income taxes	486	302	306
Net income attributable to common stockholders	$ 426	$ 468	$ 476
Basic earnings per share: (a)			
Net income attributable to common stockholders	$ 2.39	$ 2.63	$ 2.66
Diluted earnings per share: (a)			
Net income attributable to common stockholders	$ 2.38	$ 2.62	$ 2.64
Weighted-average common shares outstanding:			
Basic	178	178	179
Diluted	179	179	180
Dividends declared per common share	$ 1.66	$ 1.50	$ 1.36

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2017	2016	2015
Net income attributable to common stockholders	$ 426	$ 468	$ 476
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $2, $(14) and $(6) in 2017, 2016 and 2015, respectively	7	(21)	(10)
Pension amortized to periodic benefit cost:			
Actuarial loss, net of tax of $5, $4 and $3 in 2017, 2016 and 2015, respectively	7	6	5
Foreign currency translation adjustment	(1)	—	(1)
Unrealized (loss) gain on cash flow hedges, net of tax of $(4), $10 and $0 in 2017, 2016 and 2015, respectively	(6)	17	—
Net other comprehensive income (loss)	7	2	(6)
Comprehensive income attributable to common stockholders	$ 433	$ 470	$ 470

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2017	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 426	$ 468	$ 476
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	492	470	440
Deferred income taxes and amortization of investment tax credits	462	295	312
Provision for losses on accounts receivable	29	27	32
Gain on asset dispositions and purchases	(16)	(10)	(3)
Pension and non-pension postretirement benefits	57	54	61
Other non-cash, net	(54)	(36)	(53)
Changes in assets and liabilities:			
Receivables and unbilled revenues	21	(31)	(84)
Pension and non-pension postretirement benefit contributions	(48)	(53)	(57)
Accounts payable and accrued liabilities	38	60	80
Other assets and liabilities, net	64	(20)	(9)
Impact of Freedom Industries settlement activities	(22)	65	—
Net cash provided by operating activities	1,449	1,289	1,195
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,434)	(1,311)	(1,160)
Acquisitions, net of cash acquired	(177)	(204)	(197)
Proceeds from sale of assets and securities	15	9	5
Removal costs from property, plant and equipment retirements, net	(76)	(84)	(107)
Net cash used in investing activities	(1,672)	(1,590)	(1,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	1,395	553	565
Repayments of long-term debt	(896)	(144)	(132)
Proceeds from short-term borrowings with maturities greater than three months	—	—	60
Repayments of short-term borrowings with maturities greater than three months	—	—	(60)
Net short-term borrowings with maturities less than three months	55	221	180
Proceeds from issuances of employee stock plans and direct stock purchase plan	26	26	39
Advances and contributions for construction, net of refunds of $22, $31 and $23 in 2017, 2016 and 2015, respectively	28	16	26
Debt issuance costs	(13)	(5)	(7)
Make-whole premium on early debt redemption	(34)	—	—
Dividends paid	(289)	(261)	(239)
Anti-dilutive share repurchases	(54)	(65)	(126)
Taxes paid related to employee stock plans	(11)	(13)	(16)
Net cash provided by (used in) financing activities	207	328	290
Net (decrease) increase in cash and cash equivalents and restricted funds	(16)	27	26
Cash and cash equivalents and restricted funds at beginning of period	99	72	46
Cash and cash equivalents and restricted funds at end of period	$ 83	$ 99	$ 72
Cash paid during the year for:			
Interest, net of capitalized amount	$ 338	$ 327	$ 309
Income taxes, net of refunds of $0, $0 and $1 in 2017, 2016 and 2015, respectively	$ 30	$ 16	$ 12
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 204	$ 171	$ 224
Acquisition financed by treasury stock	$ 33	$ —	$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Stockholders' Equity
(In millions)

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Stockholders' Equity
Balance as of December 31, 2014	179.5	$ 2	$ 6,302	$ (1,296)	$ (82)	(0.2)	$ (11)	$ 4,915
Cumulative effect of change in accounting principle	—	—	—	(8)	—	—	—	(8)
Net income attributable to common stockholders	—	—	—	476	—	—	—	476
Direct stock reinvestment and purchase plan	0.1	—	4	—	—	—	—	4
Employee stock purchase plan	0.1	—	5	—	—	—	—	5
Stock-based compensation activity	1.2	—	40	(1)	—	(0.1)	(6)	33
Repurchases of common stock	—	—	—	—	—	(2.3)	(126)	(126)
Net other comprehensive income (loss)	—	—	—	—	(6)	—	—	(6)
Dividends	—	—	—	(244)	—	—	—	(244)
Balance as of December 31, 2015	180.9	$ 2	$ 6,351	$ (1,073)	$ (88)	(2.6)	$ (143)	$ 5,049
Net income attributable to common stockholders	—	—	—	468	—	—	—	468
Direct stock reinvestment and purchase plan	0.1	—	5	—	—	—	—	5
Employee stock purchase plan	0.1	—	7	—	—	—	—	7
Stock-based compensation activity	0.7	—	25	(1)	—	(0.1)	(5)	19
Repurchases of common stock	—	—	—	—	—	(1.0)	(65)	(65)
Net other comprehensive income (loss)	—	—	—	—	2	—	—	2
Dividends	—	—	—	(267)	—	—	—	(267)
Balance as of December 31, 2016	181.8	$ 2	$ 6,388	$ (873)	$ (86)	(3.7)	$ (213)	$ 5,218
Cumulative effect of change in accounting principle	—	—	—	21	—	—	—	21
Net income attributable to common stockholders	—	—	—	426	—	—	—	426
Direct stock reinvestment and purchase plan	0.1	—	8	—	—	—	—	8
Employee stock purchase plan	0.1	—	7	—	—	—	—	7
Stock-based compensation activity	0.5	—	22	—	—	(0.1)	(7)	15
Acquisitions via treasury stock	—	—	7	—	—	0.4	27	34
Repurchases of common stock	—	—	—	—	—	(0.7)	(54)	(54)
Net other comprehensive income (loss)	—	—	—	—	7	—	—	7
Dividends	—	—	—	(297)	—	—	—	(297)
Balance as of December 31, 2017	182.5	$ 2	$ 6,432	$ (723)	$ (79)	(4.1)	$ (247)	$ 5,385

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is the holding company for regulated and market-based subsidiaries throughout the United States and Ontario, Canada. The Company's primary business involves the ownership of utilities that provide water and wastewater services in 16 states in the United States, collectively referred to as the "Regulated Businesses." The Company also operates market-based businesses within four, non-reportable operating segments, collectively referred to as the "Market-Based Businesses." These businesses include the Military Services Group, which conducts operation and maintenance ("O&M") of water and wastewater systems on military bases; the Homeowner Services Group, which primarily provides water and sewer line protection plans for homeowners; the Contract Operations Group, which conducts O&M of water and wastewater facilities for municipalities and industrial customers; and Keystone Clearwater Solutions, LLC ("Keystone"), which provides water services for natural gas exploration and production companies.

Note 2: Significant Accounting Policies

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The Company uses the equity method to report its investments in joint ventures where it holds up to a 50% voting interest and cannot exercise control over the operations and policies of the investments. Under the equity method, the Company records its interests as an investment and its percentage share of the investee's earnings as income or losses.

In July 2015, the Company acquired a 95% interest in Water Solutions Holdings, LLC, including its wholly-owned subsidiary, Keystone Clearwater Solutions, LLC (collectively referred to as "Keystone"). The outside stockholders' interest, which is redeemable at the option of the minority owners, is recognized as redeemable noncontrolling interest. The redeemable noncontrolling interest amounted to $7 million as of December 31, 2017 and 2016, and is included in other long-term liabilities in the accompanying Consolidated Balance Sheets. The net income in 2017 and the net loss in 2016, respectively, attributable to the noncontrolling interest was not significant. The Company has entered into an agreement whereby it has the option to acquire from the minority owners, and the minority owners have the option to sell to the Company, the remaining five percent interest at fair value, upon the occurrence of certain triggering events, or at the defined date of December 31, 2018.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates, assumptions and judgments that affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, judgments and assumptions. The Company considers its critical accounting estimates to include: the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities; assumptions used in impairment testing of goodwill and other long-lived assets, including regulatory assets; revenue recognition and the estimates used in the calculation of unbilled revenue; accounting for income taxes and the recently enacted Tax Cuts and Jobs Act (the "TCJA"); benefit plan assumptions; and the judgments and estimates used in the determining loss contingencies. The Company's critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, goodwill, income taxes, benefit plan assumptions and contingency-related obligations.

Regulation

The Company's regulated utilities are subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions ("PUCs" or "Regulators"). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, capital expenditures, O&M expenses, taxes, transactions and affiliate relationships, reorganizations and mergers, and acquisitions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility's revenue, an incurred cost that would otherwise be charged as an expense by a non-regulated entity, could be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the authoritative accounting principles require the creation of a regulatory liability for amounts

collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 6—Regulatory Assets and Liabilities.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction ("AFUDC"). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of property, plant and equipment is depreciated using the straight-line average remaining life method. The Company's regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets' remaining useful lives.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to $346 million and $345 million as of December 31, 2017 and 2016, respectively.

Nonutility property consists primarily of buildings and equipment utilized by the Company for internal operations. This property is stated at cost, net of accumulated depreciation, which calculated using the straight-line method over the useful lives of the assets.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consists primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified in the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

The following table provides a reconciliation of the cash and cash equivalents, and restricted funds as presented in the Consolidated Balance Sheets, to the sum of such amounts presented in the Consolidated Statements of Cash Flows for the years ended December 31:

	2017	2016
Cash and cash equivalents	$ 55	$ 75
Restricted funds	27	20
Restricted funds included in other long-term assets	1	4
Cash and cash equivalents, and restricted funds as presented in the Consolidated Statements of Cash Flows	$ 83	$ 99

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers on a cycle basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are market-based trade accounts receivable and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on market-based construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due and previous loss history. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 5—Allowance for Uncollectible Accounts.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized, but is tested for impairment at least annually or on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Goodwill is primarily associated with the acquisition of the Company by RWE Aktiengesellschaft in 2003 and the acquisition of Keystone in 2015, and has been assigned to reporting units based on the fair values at the date of the acquisitions. The reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The Market-Based Businesses is comprised of four non-reportable reporting units. The Company's annual impairment test is performed as of November 30 of each year, in conjunction with the completion of the Company's annual business plan. The Company assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If based on qualitative factors, the fair value of the reporting unit is more likely than not greater than the carrying amount, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment, but determines that it is more likely than not that its fair value is less than its carrying amount, a quantitative two-step, fair value-based test is performed.

The first step compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. If the estimated fair value of any reporting unit is less than such reporting unit's carrying value, then the second step is performed to measure the amount of the impairment loss (if any) for such reporting unit.

The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation accounting guidance in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount for the reporting unit, an impairment loss is recorded as a reduction to goodwill and a charge to operating expense. Application of the goodwill impairment test requires management judgment, including the identification of reporting units and determining the fair value of the reporting unit. Management estimates fair value using a combination of a discounted cash flow analysis and market multiples analysis. Significant assumptions used in these fair value analyses include discount and growth rates and projected terminal values.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate. However, if experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 7—Goodwill and Other Intangible Assets.

Long-Lived Assets

Long-lived assets include land, buildings, equipment and long-term investments. Long-lived assets, other than investments and land, are depreciated over their estimated useful lives, and are reviewed for impairment whenever changes in circumstances indicate the carrying value of the asset may not be recoverable. Such circumstances would include items such as a significant decrease in the market value of a long-lived asset, a significant adverse change in the manner the asset is being used or planned to be used or in its physical condition, or a history of operating or cash flow losses associated with the use of the asset. In addition, changes in the expected useful life of these long-lived assets may also be an impairment indicator. When such events or changes occur, the Company estimates the fair value of the asset from future cash flows expected to result from the use and, if applicable, the eventual disposition of the asset and compares that to the carrying value of the asset. If the carrying value is greater than the fair value, an impairment loss is recorded.

The Company believes the assumptions and other considerations used to evaluate the carrying value of long-lived assets are appropriate. However, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

The key variables to determine fair value include assumptions regarding sales volume, rates, operating costs, labor and other benefit costs, capital additions, assumed discount rates and other economic factors. These variables require significant management judgment and include inherent uncertainties, since they are forecasting future events. If such assets are considered impaired, an impairment loss is recognized equal to the amount by which the asset's carrying value exceeds its fair value.

The long-lived assets of the regulated utility subsidiaries are tested on a separate entity basis for impairment testing as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company holds other investments including investments in privately held companies and investments in joint ventures accounted for using the equity method. The Company's investments in privately held companies and joint ventures are classified as other long-term assets in the accompanying Consolidated Balance Sheets.

The fair values of long-term investments are dependent on the financial performance and solvency of the entities in which the Company invests, as well as volatility inherent in the external markets. If such assets are considered impaired, an impairment loss is recognized equal to the amount by which the asset's carrying value exceeds its fair value.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2017 and 2016 in the accompanying Consolidated Balance Sheets are estimated refunds of $23 million and $21 million, respectively. Those amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $27 million, $27 million and $26 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Recognition of Revenues

Revenues of the regulated utility subsidiaries are recognized as water and wastewater services are provided, and include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the meter reading associated with the latest customer bill to the end of the accounting period. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

The Company has agreements with the U.S. government to operate and maintain water and wastewater systems at various military bases pursuant to 50-year contracts ("military agreements"). These contracts also include construction components that are accounted for separately from the O&M components. Nine of the military agreements are subject to periodic price redetermination adjustments and modifications for changes in circumstance. The remaining four agreements are subject to annual price adjustments under a mechanism similar to price redeterminations. Additionally, the Company has agreements ranging in length from one to 25 years with municipalities and businesses in various industries to operate and maintain water and wastewater systems ("O&M agreements"). Revenues from operations and management services are recognized as services are provided. See Note 15—Commitments and Contingencies.

Revenues from construction projects are recognized over the contract term based on the costs incurred to date during the period compared to the total estimated costs over the entire contract. Losses on contracts are recognized during the period in which the loss first becomes probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenue. Billings in excess of revenues recognized on construction contracts are recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined.

Income Taxes

American Water and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are

carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 13—Income Taxes.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net in the accompanying Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other income (expenses) in the accompanying Consolidated Statements of Operations. AFUDC is summarized in the following table for the years ended December 31:

	2017	2016	2015
Allowance for other funds used during construction	$ 19	$ 15	$ 13
Allowance for borrowed funds used during construction	8	6	8

Environmental Costs

The Company's water and wastewater operations and the operations of its Market-Based Businesses are subject to U.S. federal, state, local and foreign requirements relating to environmental protection, and as such, the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued, on an undiscounted basis, when it is probable that these costs will be incurred and can be reasonably estimated. A conservation agreement entered into by a subsidiary of the Company with the National Oceanic and Atmospheric Administration in 2010 and amended in 2017 required the Company to, among other provisions, implement certain measures to protect the steelhead trout and its habitat in the Carmel River watershed in the State of California. The Company agreed to pay $1 million annually commencing in 2010 with the final payment being made in 2021. Remediation costs accrued amounted to $6 million and less than $1 million as of December 31, 2017 and 2016, respectively.

Derivative Financial Instruments

The Company uses derivative financial instruments for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company may designate the derivative as a hedge of the fair value of a recognized asset or liability (fair-value hedge) or a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

Changes in the fair value of a fair-value hedge, along with the gain or loss on the underlying hedged item, are recorded in current-period earnings. The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities in the accompanying Consolidated Statements of Cash Flows.

New Accounting Standards

The following recently issued accounting standards have been adopted by the Company as of December 31, 2017:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Simplification of Employee Share-Based Payment Accounting	Simplified accounting and disclosure requirements for share-based payment awards. The updated guidance addresses simplification in areas such as: (i) the recognition of excess tax benefits and deficiencies; (ii) the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows; (iii) election of an accounting policy for forfeitures; and (iv) the amount an employer can withhold to cover income taxes and still qualify for equity classification.	January 1, 2017	Modified retrospective for the recognition of excess tax benefits and deficiencies; full retrospective for the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows	The cumulative effect of adoption increased retained earnings by $21 million, with an offsetting decrease to deferred income taxes, net. Adoption also increased cash flows from operating activities and decreased cash flows from financing activities by $17 million, $13 million and $16 million for the years ended December 31, 2017, 2016 and 2015, respectively, on the Consolidated Statements of Cash Flows.
Classification of Certain Cash Receipts and Cash Payments on the Statement of Cash Flows	Provides guidance on the presentation and classification in the Consolidated Statements of Cash Flows for the following cash receipts and payments: (i) debt prepayment or debt extinguishment costs; (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (iii) contingent consideration payments made after a business combination; (iv) proceeds from the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (vi) distributions received from equity method investees; (vii) beneficial interests in securitization transactions and (viii) separately identifiable cash flows and application of the predominance principle.	December 31, 2017	Retrospective	Adoption resulted in the change in the presentation of a $34 million make-whole premium payment from operating activities to financing activities on the Consolidated Statements of Cash Flows for the year ended December 31, 2017, as compared to the third quarter 2017 Form 10-Q. See Note 10- Long-Term Debt in the Notes to Consolidated Financial Statements for further information regarding this make-whole premium payment.
Presentation of Changes in Restricted Cash on the Statement of Cash Flows	Updates the accounting and disclosure guidance for the classification and presentation of changes in restricted cash on the Consolidated Statements of Cash Flows. The amended guidance requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents and amounts described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will now be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.	December 31, 2017	Retrospective	Adoption resulted in the inclusion of restricted funds and related changes in the total of cash and cash equivalents, and restricted funds on the Consolidated Statements of Cash Flows. Total restricted funds amounted to $28 million, $24 million and $27 million as of December 31, 2017, 2016, 2015, respectively. The adoption also resulted in an increase in net cash used in investing activities previously reported of $3 million for the year ended December 31, 2016, and a decrease of $6 million for the year ended December 31, 2015.

The following recently issued accounting standards have not yet been adopted by the Company as of December 31, 2017:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements (or Other Significant Matters)
Revenue from Contracts with Customers	Changes the criteria for recognizing revenue from a contract with a customer. Replaces existing guidance on revenue recognition, including most industry specific guidance. The objective is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount,	January 1, 2018	Full or modified retrospective	The adoption will not result in material impact to the Consolidated Financial Statements as there are no material changes to the timing or recognition of revenue. The Company plans to adopt using the modified retrospective method.

	timing and uncertainty of revenue and the related cash flows.			
Clarifying the Definition of a Business	Updated the accounting guidance to clarify the definition of a business with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions, or disposals, of assets or businesses.	January 1, 2018	Prospective	The update could result in more acquisitions being accounted for as asset acquisitions. The effect on the Company's Consolidated Financial Statements will be dependent on the acquisitions that close subsequent to adoption.

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements (or Other Significant Matters)
Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	Updated authoritative guidance requires the service cost component of net periodic benefit cost to be presented in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. The remaining components of net periodic benefit cost are required to be presented separately from the service cost component in an income statement line item outside of operating income. Also, the guidance only allows for the service cost component to be eligible for capitalization. The updated guidance does not impact the accounting for net periodic benefit costs as regulatory assets or liabilities.	January 1, 2018	Retrospective for the presentation of net periodic benefit cost components in the income statement; prospective for the capitalization of net periodic benefit costs components in total assets.	The Company expects to reclassify net periodic benefit costs, other than the service cost component of approximately $9 million, $5 million and $5 million for the years ended December 31, 2017, 2016 and 2015, respectively, to Other, net in its Consolidated Statements of Operations. The Company expects to record the non-service cost component probable of recovery from (or payable to) customers as a regulatory asset (or regulatory liability) accordingly.
Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	Permits entities to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act to retained earnings.	January 1, 2019; early adoption permitted	In the period of adoption or retrospective.	The Company is evaluating the impact on the Consolidated Financial Statements, as well as the timing of adoption.
Accounting for Leases	Updated the accounting and disclosure guidance for leasing arrangements. Under this guidance, a lessee will be required to recognize the following for all leases, excluding short-term leases, at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the guidance, lessor accounting is largely unchanged.	January 1, 2019; early adoption permitted	Modified retrospective	The Company is evaluating the effect on its Consolidated Financial Statements.
Accounting for Hedging Activities	Updated the accounting and disclosure guidance for hedging activities, which allows for more financial and nonfinancial hedging strategies to be eligible for hedge accounting. Under this guidance, a qualitative effectiveness assessment is permitted for certain hedges if an entity can reasonably support an expectation of high effectiveness throughout the term of the hedge, provided that an initial quantitative test establishes that the hedge relationship is highly effective. Also, for cash flow hedges determined to be highly effective, all changes in the fair value of the hedging instrument will be recorded in other comprehensive income with a subsequent reclassification to earnings when the hedged item impacts earnings.	January 1, 2019; early adoption permitted	Modified retrospective for adjustments related to the measurement of ineffectiveness for cash flow hedges; prospective for the updated presentation and disclosure requirements.	The Company does not expect the adoption to have a material impact on its Consolidated Financial Statements based on the hedges held as of the balance sheet date. The Company is evaluating the timing of adoption.
Simplification of Goodwill Impairment Testing	Updated authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in the update, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying value exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	January 1, 2020; early adoption permitted	Prospective	The Company is evaluating the impact on its Consolidated Financial Statements, as well as the timing of adoption.
Measurement of Credit Losses	Updated the accounting guidance on reporting credit losses for financial assets held at amortized cost basis and available-for-sale debt securities. Under this guidance, expected credit losses are required to be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. Also, this guidance requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down.	January 1, 2020; early adoption permitted	Modified retrospective	The Company is evaluating the impact on its Consolidated Financial Statements, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the accompanying Consolidated Financial Statements and notes to conform to the current presentation.

Note 3: Acquisitions

During 2017, the Company closed on 18 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $210 million. This included the acquisition of the wastewater system assets of the Municipal Authority of the City of McKeesport, Pennsylvania, on December 18, 2017. Assets acquired, principally utility plant, totaled $207 million. Liabilities assumed totaled $23 million, including $9 million of contributions in aid of construction and assumed debt of $7 million. The Company recorded additional goodwill of $29 million associated with four of its acquisitions, which is reported in its Regulated Businesses segment. Of this total goodwill, approximately $1 million is expected to be deductible for tax purposes. Additionally, the Company recognized a bargain purchase gain of $3 million associated with three of the acquisitions. The preliminary purchase price allocations related to these acquisitions will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

During 2016, the Company closed on 15 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $199 million. This included the acquisition of substantially all of the wastewater collection and treatment assets of the Sewer Authority of the City of Scranton, Pennsylvania (“Scranton”) in December 2016. Assets acquired, principally utility plant, totaled $194 million. Liabilities assumed totaled $30 million, including $14 million of contributions in aid of construction and assumed debt of $6 million. During 2016, the Company recorded additional goodwill of $43 million associated with five of its acquisitions, which is reported in its Regulated Businesses segment. Of this total goodwill, approximately $31 million is expected to be deductible for tax purposes. Additionally, during 2017 the Company recorded a measurement period adjustment of $5 million, increasing the goodwill recognized from the Scranton acquisition.

During 2015, the Company closed on 14 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $64 million. Assets acquired, principally utility plant, totaled $90 million. Liabilities assumed totaled $26 million, including $10 million of contributions in aid of construction and assumed debt of $1 million. The Company recorded additional goodwill of $3 million associated with four of its acquisitions, which is reported in its Regulated Businesses segment and is expected to be fully deductible for tax purposes. The Company also recognized a bargain purchase gain of $3 million associated with five of its acquisitions, of which $1 million was deferred as a regulatory liability.

During 2015, the Company also closed on the Keystone acquisition, which is included as part of the Market-Based Businesses, for a total purchase price of $133 million, net of cash received. The fair value of identifiable assets acquired and liabilities assumed was $56 million and $7 million, respectively, and principally included the acquisition of nonutility property of $25 million, accounts receivable and unbilled revenues of $18 million and intangible assets of $12 million. The purchase price allocation, which is based on the estimated fair value of net assets acquired, resulted in the Company recording redeemable noncontrolling interest of $7 million and additional goodwill of $91 million. This goodwill is expected to be fully deductible for tax purposes.

The pro forma impact of our acquisitions was not material to our Consolidated Statements of Operations for the years ended December 31, 2017 and 2016.

Note 4: Property, Plant and Equipment

The following table summarizes the major classes of property, plant and equipment by category as of December 31:

	2017	2016	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 151	$ 147		
Sources of supply	798	734	2 to 127 Years	45 years
Treatment and pumping facilities	3,356	3,218	3 to 101 Years	37 years
Transmission and distribution facilities	9,583	9,043	9 to 156 Years	72 years
Services, meters and fire hydrants	3,754	3,504	5 to 90 Years	30 years
General structures and equipment	1,458	1,343	1 to 156 Years	16 years
Waste treatment, pumping and disposal	557	457	3 to 106 Years	37 years
Waste collection	904	637	5 to 97 Years	55 years
Construction work in progress	585	419		
Total utility plant	21,146	19,502		
Nonutility property	570	452	3 to 50 years	6 years

Total property, plant and equipment	$ 21,716	$ 19,954

Property, plant and equipment depreciation expense amounted to $460 million, $435 million, and $405 million for the years ended December 31, 2017, 2016 and 2015, respectively and was included in depreciation and amortization expense in the accompanying Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 3.07%, 3.14% and 3.13% for years December 31, 2017, 2016 and 2015, respectively.

Note 5: Allowance for Uncollectible Accounts

The following table summarizes the changes in the Company's allowances for uncollectible accounts for the years ended December 31:

	2017	2016	2015
Balance as of January 1	$ (40)	$ (39)	$ (35)
Amounts charged to expense	(29)	(27)	(32)
Amounts written off	30	29	31
Recoveries of amounts written off	(3)	(3)	(3)
Balance as of December 31	$ (42)	$ (40)	$ (39)

Note 6: Regulatory Assets and Liabilities

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. The majority of the regulatory assets earn a return. The following table summarizes the composition of regulatory assets as of December 31:

	2017	2016
Deferred pension expense	$ 285	$ 310
Income taxes recoverable through rates	—	241
Removal costs recoverable through rates	269	251
San Clemente Dam project costs	89	91
Regulatory balancing accounts	113	110
Debt expense	67	66
Make-whole premium on early extinguishment of debt	27	—
Purchase premium recoverable through rates	57	58
Deferred tank painting costs	42	39
Other	112	123
Total Regulatory Assets	$ 1,061	$ 1,289

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $270 million and $300 million as of December 31, 2017 and 2016, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

The Company has recorded a regulatory asset for the additional revenues expected to be realized when the tax effects of temporary differences previously flowed through to customers, reverse. These temporary differences are primarily related to the difference between book and tax depreciation on property placed in service before the adoption by the regulatory authorities of full normalization for rate making purposes. Full normalization requires no flow through of tax benefits to customers. The regulatory asset for income taxes recoverable through rates is net of the reduction expected in future revenues as deferred taxes previously provided, attributable to the difference between the state and federal income tax rates under prior law and the current statutory rates, reverse over the average remaining service lives of the related assets.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

San Clemente Dam project costs represent costs incurred and deferred by the Company's California subsidiary pursuant to its efforts to investigate alternatives to strengthen or remove the dam due to potential earthquake and flood safety concerns. In June 2012, the California Public Utilities Commission ("CPUC") issued a decision authorizing implementation of a project to reroute the Carmel River and remove the San Clemente Dam. The project includes the Company's California subsidiary, the California State Conservancy and the National Marine Fisheries Services. Under the order's terms, the CPUC has authorized recovery for pre-construction costs, interim dam safety measures and environmental costs and construction costs. The authorized costs are to be recovered via a surcharge over a twenty-year period which began in October 2012. The unrecovered balance of project costs incurred, including cost of capital, net of surcharges totaled $89 million and $91 million as of December 31, 2017 and 2016, respectively. Surcharges collected were $7 million and $4 million for the years ended December 31, 2017 and 2016, respectively. In the current general rate case in California, there is a pending request to reset the twenty-year recovery period to begin on January 1, 2018 and to set the annual recovery amount.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt expense, are deferred and amortized to the extent they will be recovered through future service rates.

As a result of American Water Capital Corp.'s prepayment of the 5.62% Series C Senior Notes due December 21, 2018 ("Series C Senior Notes") and 5.77% Series D Senior Notes due December 21, 2021 ("Series D Senior Notes") and payment of a make-whole premium amount to the holders thereof of $34 million, the Company recorded a $6 million charge resulting from the early extinguishment of debt at the parent company. Substantially all of the early debt extinguishment costs allocable to the Company's utility subsidiaries were recorded as regulatory assets that the Company believes are probable of recovery in future rates. Approximately $1 million of the early debt extinguishment costs allocable to the Company's utility subsidiaries was amortized in 2017.

Purchase premium recoverable through rates is primarily the recovery of the acquisition premiums related to an asset acquisition by the Company's California Utility subsidiary during 2002, and acquisitions in 2007 by the Company's New Jersey Utility subsidiary. As authorized for recovery by the California and New Jersey PUCs, these costs are being amortized to depreciation and amortization in the Consolidated Statements of Operations through November 2048.

Tank painting costs are generally deferred and amortized to operations and maintenance expense in the Consolidated Statements of Operations on a straight-line basis over periods ranging from two to fifteen years, as authorized by the regulatory authorities in their determination of rates charged for service.

Other regulatory assets include certain construction costs for treatment facilities, property tax stabilization, employee-related costs, deferred other postretirement benefit expense, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate-making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. The following table summarizes the composition of regulatory liabilities as of December 31:

	2017	2016
Income taxes recovered through rates	$ 1,242	$ —
Removal costs recovered through rates	315	316
Pension and other postretirement benefit balancing accounts	48	55
Other	59	32
Total Regulatory Liabilities	$ 1,664	$ 403

Income taxes recovered through rates relate to deferred taxes that will likely be refunded to the Company's customers. On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the maximum U.S. federal corporate income tax rate from 35% to 21% as of January 1, 2018. The TCJA created significant excess deferred income taxes that the Company and its regulatory jurisdictions believe should be refunded to customers. Since these are significant refundable amounts, the Company believes it is probable these amounts will be refunded to customers through future rates, and as such the amounts are recorded to a regulatory liability.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful life that are recovered through customer rates over the life of the associated assets. In December 2008, the Company's utility subsidiary in New Jersey, at the direction of the New Jersey Board of Public Utilities, began to depreciate $48 million of the total balance into depreciation and amortization expense in the Consolidated Statements of Operations via straight line amortization through November 2048.

Pension and other postretirement benefit balancing accounts represent the difference between costs incurred and costs authorized by the PUCs that are expected to be refunded to customers.

Other regulatory liabilities include legal settlement proceeds, deferred gains and various regulatory balancing accounts.

Note 7: Goodwill and Other Intangible Assets

Goodwill

The following table summarizes changes in the carrying amount of goodwill for the years ended December 31, 2017 and 2016:

	Regulated Businesses		Market-Based Businesses		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2016	$ 3,415	$ (2,332)	$ 327	$ (108)	$ 3,742	$ (2,440)	$ 1,302
Goodwill from acquisitions	43	—	—	—	43	—	43
Balance as of December 31, 2016	$ 3,458	$ (2,332)	$ 327	$ (108)	$ 3,785	$ (2,440)	$ 1,345
Goodwill from acquisitions	29	—	—	—	29	—	29
Measurement period adjustments	5	—	—	—	5	—	5
Balance as of December 31, 2017	$ 3,492	$ (2,332)	$ 327	$ (108)	$ 3,819	$ (2,440)	$ 1,379

In 2017, the Company acquired aggregate goodwill of $29 million associated with four of its acquisitions in the Regulated Businesses segment. Additionally, during 2017 the Company recorded a measurement period adjustment of $5 million, increasing the goodwill recognized from the Scranton acquisition completed in December 2016.

In 2016, the Company acquired aggregate goodwill of $43 million associated with five of its acquisitions in the Regulated Businesses segment.

The Company completed its annual impairment assessment of goodwill as of November 30, 2017 and 2016. It elected to apply the qualitative assessment of factors for goodwill in our Regulated Businesses and in Military Services Group and Contract Operations Group reporting units within the Market-Based Businesses for both November 30, 2017 and 2016. The Company also elected to apply the qualitative assessment of factors for annual impairment assessment of goodwill as of November 30, 2016 to its Homeowners Services Group. Based on the work performed, the Company determined that no qualitative factors were present that would indicate the estimated fair values of the above stated reporting units were less than the respective carrying values.

At November 30, 2017, the Company completed step one of the two-step test for its Homeowner Services Group and Keystone reporting units. The Company also completed a step one test for the Keystone reporting unit at November 30, 2016. Based on those valuations, the Company concluded that there were no impairments to its goodwill. The Company used an income approach valuation technique which estimates the discounted future cash flows of operations. The discounted cash flow analysis relies on a single scenario reflecting the best estimate of projected

cash flows. Significant assumptions were used in estimating the fair values, including the discount rate, growth rate and terminal value. At November 30, 2017, the estimated fair value of the Homeowner Services Group reporting unit exceeded its carrying value by more than 156%, and the estimated fair value of the Keystone reporting unit exceeded its carrying value by approximately 11%. If further decline in the fair value were to occur, the Keystone reporting unit would be at risk of failing step one of the goodwill impairment test.

There can be no assurances that the Company will not be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to the performance of the Company's reporting units. These market events could include a decline over a period of time of the Company's stock price, a decline over a period of time in valuation multiples of comparable water utilities and reporting unit companies, the lack of an increase in the Company's market price consistent with its peer companies, decreases in control premiums or continued downward pressure on commodity prices. A decline in the forecasted results in our business plan, such as changes in rate case results or capital investment budgets or changes in our interest rates, could also result in an impairment charge. In regards to the Keystone goodwill, adverse developments in market conditions, including prolonged depression of natural gas or oil prices or other factors that negatively impact our forecast operating results, cash flows or key assumptions in the future could result in an impairment charge of a portion or all of the goodwill balance.

Other Intangible Assets

Included in other long-term assets at December 31, 2017 and 2016, is a $8 million and $10 million, respectively, customer relationship intangible resulting from the Keystone acquisition. This intangible is being amortized on a straight-line basis over a period of eight years.

Note 8: Stockholders' Equity

Common Stock

Under the dividend reinvestment and direct stock purchase plan (the "DRIP"), stockholders may reinvest cash dividends and purchase additional Company common stock, up to certain limits, through the plan administrator without commission fees. Shares purchased by participants through the DRIP may be newly-issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2017, there were approximately 4.3 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allowed the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time. The Company repurchased 0.7 million shares and 1.0 million shares of common stock in the open market at an aggregate cost of $54 million and $65 million under this program for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017, there were 6.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2017 and 2016:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Foreign Currency Translation	Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2016	$ (126)	$ 1	$ 36	$ 2	$ (1)	$ (88)
Other comprehensive gain (loss) before reclassification	(21)	—	—	—	17	(4)
Amounts reclassified from accumulated other comprehensive income	—	—	6	—	—	6
Net other comprehensive income (loss)	(21)	—	6	—	17	2
Ending balance as of December 31, 2016	$ (147)	$ 1	$ 42	$ 2	$ 16	$ (86)
Other comprehensive gain (loss) before reclassification	7	—	—	(1)	(6)	—
Amounts reclassified from accumulated other comprehensive income	—	—	7	—	—	7
Net other comprehensive income (loss)	7	—	7	(1)	(6)	7
Ending balance as of December 31, 2017	$ (140)	$ 1	$ 49	$ 1	$ 10	$ (79)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been capitalized as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 14—Employee Benefits.

The amortization of the loss on cash flow hedge is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Note 9: Stock Based Compensation

The Company has granted stock options and restricted stock unit ("RSU") awards to non-employee directors, officers and other key employees of the Company pursuant to the terms of its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The total aggregate number of shares of common stock that may be issued under the 2007 Plan is 15.5 million. As of December 31, 2017, 7.7 million shares were available for grant under the 2007 Plan.

On May 12, 2017, the Company's stockholders approved the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2017, 7.2 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents, which may be granted only on stock units or other stock-based awards. Following the approval of the 2017 Omnibus Plan, no additional awards are to be granted under the 2007 Plan. However, shares will still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of stock options and restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock options and RSUs awards at the date of the grant is amortized through expense over the three-year service period. All awards granted in 2017, 2016 and 2015 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. The following table presents stock-based compensation expense recorded in operation and maintenance expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2017	2016	2015
Stock options	$ 1	$ 2	$ 2
RSUs	9	8	8
Nonqualified employee stock purchase plan	1	1	1
Stock-based compensation	11	11	11
Income tax benefit	(4)	(4)	(4)
Stock-based compensation expense, net of tax	$ 7	$ 7	$ 7

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2017, 2016 and 2015.

The Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for RSUs. For each award, throughout the requisite service period, the Company recognizes the tax benefits, which have been included in deferred income tax assets, related to compensation costs. The tax deductions in excess of the benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Options

There were no grants of stock options to employees in 2017. In 2016 and 2015, the Company granted non-qualified stock options to certain employees under the 2007 Plan. The stock options vest ratably over the three-year service period beginning on January 1 of the year of the grant and have no performance vesting conditions. Expense is recognized using the straight-line method and is amortized over the requisite service period.

The following table summarizes the weighted-average assumptions used in the Black-Scholes option-pricing model for grants and the resulting weighted-average grant date fair value per share of stock options granted for the years ended December 31:

	2017	2016	2015
Dividend yield	—%	2.09%	2.35%
Expected volatility	—%	15.89%	17.64%
Risk-free interest rate	—%	1.15%	1.48%
Expected life (years)	0	4.0	4.4
Exercise price	$ —	$ 65.25	$ 52.75
Grant date fair value per share	$ —	$ 6.61	$ 6.21

The Company used the actual historical experience of exercises or expirations of the 2009 grant to determine the expected stock option life. The Company began granting stock options at the time of its initial public offering in April 2008. Expected volatility is based on a weighted average of historic volatilities of traded common stock of peer companies (regulated water companies) over the expected term of the stock options and historic volatilities of the Company's common stock during the period it has been publicly traded. The dividend yield is based on the Company's expected dividend payments and the stock price on the date of grant. The risk-free interest rate is the market yield on U.S. Treasury strips with maturities similar to the expected term of the stock options. The exercise price of the stock options is equal to the fair market value of the underlying stock on the date of option grant. Stock options vest over periods ranging from one to three years and have a maximum term of seven years from the effective date of the grant.

The table below summarizes stock option activity for the year ended December 31, 2017:

	Shares (In thousands)	Weighted-Average Exercise Price (Per share)	Weighted-Average Remaining Life (Years)	Aggregate Intrinsic Value
Options outstanding as of December 31, 2016	987	$ 50.65	4.3	$ 21
Granted	—	—		
Forfeited or expired	(14)	62.10		
Exercised	(262)	42.29		
Options outstanding as of December 31, 2017	711	$ 53.51	3.67	$ 29
Exercisable as of December 31, 2017	452	$ 48.83	3.15	$ 21

As of December 31, 2017, $1 million of total unrecognized compensation cost related to nonvested stock options is expected to be recognized over the remaining weighted-average period of 1.0 years. The total fair value of stock options vested was $2 million, $1 million and $3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The following table summarizes additional information regarding stock options exercised during the years ended December 31:

	2017	2016	2015
Intrinsic value	$ 10	$ 18	$ 22
Exercise proceeds	11	15	30
Income tax benefit realized	3	6	7

RSUs

During 2017, 2016 and 2015, the Company granted RSUs, both with and without performance conditions, to certain employees under the 2007 Plan. RSUs generally vest over periods ranging from one to three years.

During 2017, the Company granted RSUs to non-employee directors under the 2017 Omnibus Plan, and during 2016 and 2015, these awards were granted under the 2007 Plan. The RSUs vested on the date of grant; however, distribution of the shares will be made within 30 days of the

earlier of: (i) 15 months after grant date, subject to any deferral election by the director; or (ii) the participant's separation from service. Because these RSUs vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

The RSUs without performance conditions are valued at the market value of the closing price of the Company's common stock on the date of the grant and vest ratably over the three-year service period beginning January 1 of the year of the grant. These RSUs are amortized through expense over the requisite service period using the straight-line method.

The table below summarizes activity of RSUs without performance conditions for the year ended December 31, 2017:

	Shares (In thousands)	Weighted Average Grant Date Fair Value (Per share)
Non-vested total as of December 31, 2016	74	$ 56.43
Granted	61	73.43
Vested	(42)	56.52
Forfeited	(4)	69.09
Non-vested total as of December 31, 2017	89	$ 67.48

RSUs with performance conditions vest ratably over the three-year performance period beginning January 1 of the year of the grant (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of internal performance measures and, separately, certain market thresholds over the Performance Period.

RSUs granted with internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. RSUs granted with market conditions are valued using a Monte Carlo model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. The following table presents the weighted-average assumptions used in the Monte Carlo simulation and the weighted-average grant date fair values of RSUs granted for the years ended December 31:

	2017	2016	2015
Expected volatility	17.40%	15.90%	14.93%
Risk-free interest rate	1.53%	0.91%	1.07%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$ 72.81	$ 77.16	$ 62.10

The grant date fair value of restricted stock awards that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

The table below summarizes activity of RSUs with performance conditions for the year ended December 31, 2017:

	Shares (In thousands)	Weighted Average Grant Date Fair Value (Per share)
Non-vested total as of December 31, 2016	309	$ 55.94
Granted	186	63.10
Vested	(204)	46.10
Forfeited	(10)	70.50
Non-vested total as of December 31, 2017	281	$ 67.33

As of December 31, 2017, $6 million of total unrecognized compensation cost related to the nonvested RSUs, with and without performance conditions, is expected to be recognized over the weighted-average remaining life of 1.5 years. The total fair value of RSUs, with and without performance conditions, vested was $16 million, $14 million and $12 million for the years ended December 31, 2017, 2016 and 2015, respectively.

If dividends are paid with respect to shares of the Company's common stock before the RSUs are distributed, the Company credits a liability for the value of the dividends that would have been paid if the RSUs were shares of Company common stock. When the RSUs are distributed, the Company pays the participant a lump sum cash payment equal to the value of the dividend equivalents accrued. The Company accrued dividend equivalents totaling less than $1 million, $1 million and $1 million to accumulated deficit in the accompanying Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2017, 2016 and 2015, respectively.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") through which employee participants may use payroll deductions to acquire Company common stock at the lesser of 90% of the fair market value of the common stock at either the beginning or the end of a three-month purchase period. On February 15, 2017, the Board adopted the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, which was approved by stockholders on May 12, 2017 and took effect on August 5, 2017. The prior plan was terminated as to new purchases of Company stock effective August 31, 2017. As of December 31, 2017, there were 2.0 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2017, 2016 and 2015, the Company issued 93 thousand, 93 thousand and 98 thousand shares, respectively, under the ESPP.

Note 10: Long-Term Debt

The Company obtains long-term debt primarily to fund capital expenditures of the Regulated Businesses and to refinance debt of the parent company. The following table summarizes the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2017	2016
Long-term debt of American Water Capital Corp. (a)					
Senior notes—fixed rate	2.95%-8.27%	4.47%	2018-2047	$ 5,292	$ 4,786
Private activity bonds and government funded debt—fixed rate	1.79%-6.25%	5.44%	2021-2040	193	194
Long-term debt of other American Water subsidiaries					
Private activity bonds and government funded debt—fixed rate (b)	0.00%-6.20%	4.59%	2018-2041	712	695
Mortgage bonds—fixed rate	3.92%-9.71%	7.41%	2019-2039	607	636
Mandatorily redeemable preferred stock	8.47%-9.75%	8.60%	2019-2036	10	12
Capital lease obligations	12.66%	12.66%	2026	1	1
Term loan	4.81%-5.31%	5.15%	2021	9	—
Long-term debt				6,824	6,324
Unamortized debt premium, net (c)				9	17
Unamortized debt issuance costs				(13)	(9)
Interest rate swap fair value adjustment				—	1
Less current portion of long-term debt				(322)	(574)
Total long-term debt				$ 6,498	$ 5,759

(a) This indebtedness is considered "debt" for purposes of a support agreement between American Water and American Water Capital Corp. ("AWCC"), the Company's wholly owned finance subsidiary, which serves as a functional equivalent of a guarantee by American Water of AWCC's payment obligations under such indebtedness.

(b) Includes $5 million and $6 million of variable rate debt as of December 31, 2017 and 2016, respectively, with variable-to-fixed interest rate swaps ranging between 3.93% and 4.72%. This debt was assumed via an acquisition in 2013.

(c) Primarily fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds, term loans and $709 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2017.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, the Company from issuing debt secured by the Company's assets. Certain long term notes require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2017 was 0.59 to 1.00. In addition, the Company has $922 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions.

The following table presents future sinking fund payments and debt maturities:

Year	Amount
2018	$ 322
2019	170
2020	51
2021	299
2022	123
Thereafter	5,859

The following table details the issuances of long-term debt in 2017:

Company	Type	Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	2.95%-3.75%	2027-2047	$ 1,350
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.44%	2020-2037	31
Other American Water subsidiaries	Mortgage bonds—fixed rate	3.92%	2020	3
Other American Water subsidiaries	Term loan	4.62%-5.12%	2021	11
Total issuances				$ 1,395

The Company also assumed debt of $7 million as a result of acquisitions during 2017, of which $1 million was paid subsequent to an acquisition closing during 2017. The remaining $6 million of assumed debt has fixed interest rates of 0.00% and 3.92%, maturing in 2024 and 2020, respectively. The Company incurred debt issuance costs of $17 million related to the above issuances.

The following table details the long-term debt that was retired through sinking fund provisions, optional redemption or payment at maturity during 2017:

Company	Type	Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	5.62%-6.09%	2017-2021	$ 844
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.38%	2017-2041	15
Other American Water subsidiaries	Mortgage bonds—fixed rate	7.08%	2017	33
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Other American Water subsidiaries	Term loan	4.31%-5.31%	2021	1
Total retirements and redemptions				$ 896

On August 10, 2017, AWCC completed a $1.35 billion debt offering which included the sale of $600 million aggregate principal amount of its 2.95% Senior Notes due 2027, and $750 million aggregate principal amount of its 3.75% Senior Notes due in 2047. At the closing of the offering, AWCC received, after deduction of underwriting discounts and debt issuance costs, $1.33 billion. On September 13, 2017, AWCC used proceeds from the offering to prepay $138 million of its outstanding 5.62% Series C Senior Notes due December 21, 2018 (“Series C Senior Notes”) and $181 million of it’s outstanding 5.77% Series D Senior Notes due December 21, 2021 (“Series D Senior Notes”). AWCC also used the proceeds of this offering to repay commercial paper obligations and for general corporate purposes, and subsequently, on October 15, 2017, to repay at maturity, $524 million of its 6.085% Senior Notes.

As a result of AWCC’s prepayment of the Series C Senior Notes and Series D Senior Notes, and payment of a make-whole premium amount to the holders thereof of $34 million, the Company recorded a $6 million charge resulting from the early extinguishment of debt at the parent company. Substantially all of the early debt extinguishment costs allocable to the Regulated Businesses were recorded as regulatory assets for the Company believes they are probable of recovery in future rates. Approximately $1 million of the early debt extinguishment costs allocable to the Regulated Businesses were amortized in 2017.

Interest net, includes interest income of approximately $14 million, $14 million and $13 million in 2017, 2016 and 2015, respectively.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as swaps. The Company reduces exposure to interest rates by managing commercial paper and debt maturities. The Company also does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, credit-worthy financial institutions having long-term credit ratings of "A" or better.

On August 7, 2017, coinciding with AWCC's $1.35 billion debt offering, the Company terminated four existing forward starting swap agreements with an aggregate notional amount of $300 million, realizing a gain of $19 million to be amortized through interest, net, over 30 years. On February 8, 2017, and December 11, 2017, the Company entered into forward starting swap agreements, each with a notional amount of $100 million, to reduce interest rate exposure on debt expected to be issued in 2018. These forward starting swap agreements terminate in November 2018, and have an average fixed rate of 2.59%. The Company has designated these forward starting swap agreements as cash flow hedges, with their fair values recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net, over the term of the new debt.

In October 2017, the Company terminated its interest-rate swap to hedge $100 million of its 6.085% Senior Notes maturing in the fourth quarter of 2017. The Company paid variable interest of six-month LIBOR plus 3.422%, and had designated this interest rate swap as a fair value hedge, accounted for at fair value with gains or losses, as well as the offsetting gains or losses on the hedged item, recognized in interest, net. The net gain and loss recognized by the Company was de minimis for the periods ended December 31, 2017 and 2016.

The Company has employed interest rate swaps to fix the interest cost on a portion of its variable-rate debt with an aggregate notional amount of $5 million. The Company has designated these instruments as economic hedges, accounted for at fair value, with gains or losses recognized in interest, net. The gain recognized by the Company was de minimis for the years ended 2017 and 2016.

The following table provides a summary of the gross fair value for the Company's derivative asset and liabilities, as well as the location of the asset and liability balances in the Consolidated Balance Sheets as of December 31:

Derivative Instruments	Derivative Designation	Balance Sheet Classification	2017	2016
Asset derivative:				
Forward starting swaps	Cash flow hedge	Other current assets	$ —	$ 27
Interest rate swap	Fair value hedge	Other current assets	—	1
Liability derivative:				
Interest rate swap	Fair value hedge	Current portion of long-term debt	—	1
Forward starting swaps	Cash flow hedge	Other current liabilities	3	—

Note 11: Short-Term Debt

Short-term debt consists of commercial paper and credit facility borrowings totaling $905 million and $849 million as of December 31, 2017 and 2016, respectively. As of December 31, 2017 there were no borrowings outstanding with maturities greater than three months.

AWCC has a revolving credit facility with $1.75 billion in aggregate total commitments from a diversified group of financial institutions with a termination date of June 2020. On March 22, 2016, AWCC and its lenders agreed to increase total commitments under AWCC's revolving credit facility to the $1.75 billion, from $1.25 billion. Other terms and conditions of the existing facility remained unchanged. The agreement also includes a $150 million sublimit for letters of credit and a $100 million sublimit for swing loans. On June 30, 2015, AWCC and its lenders extended the termination date of revolving credit facility from October 2018, to June 2020. This amended and restated agreement also allowed AWCC to request to further extend the term of the credit facility for up to two one-year periods. Issuance costs related to the increased lending commitments will be amortized over the remaining life of the credit facility and is included in interest, net in the accompanying Consolidated Statements of Operations. Interest on borrowings are based on a LIBOR-based rate, plus an applicable margin.

Also, the Company acquired a line of credit facility as part of the Keystone acquisition. This facility has a maximum availability of up to $12 million, dependent on a collateral base calculation. Based on the collateral assets at December 31, 2017, $7 million was available to borrow. At December 31, 2017, there were no outstanding borrowings on this line of credit facility. Borrowings under the facility are due upon demand with interest being paid monthly. Interest accrues each day at a rate per annum equal to 2.75% above the greater of the one month or one day LIBOR. The borrowing base under the facility allows for financing up to the greater of the note or 80% of eligible accounts receivable.

The following table summarizes the Company's aggregate credit facility commitments, letter of credit sub-limit under our revolving credit facility and commercial paper limit, as well as the available capacity for each as of:

	Credit Facility Commitment	Available Credit Facility Capacity	Letter of Credit Sublimit (a)	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
December 31, 2017	$ 1,762	$ 1,673	$ 150	$ 66	$ 1,600	$ 695
December 31, 2016	1,766	1,668	150	62	1,600	751

(a) Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. The Company had $84 million and $88 million of outstanding letters of credit as of December 31, 2017 and 2016, respectively, all of which were issued under the revolving credit facility noted above.

The following table summarizes the short-term borrowing activity for AWCC for the years ended December 31:

	2017	2016
Average borrowings	$ 779	$ 850
Maximum borrowings outstanding	1,135	1,016
Weighted average interest rates, computed on daily basis	1.24%	0.78%
Weighted average interest rates, as of December 31	1.61%	0.98%

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2017 was 0.59 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under the Company's credit facility.

As part of the normal course of business, the Company routinely enters contracts for the purchase and sale of water, energy, fuels and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance. Depending on the Company's net position with the counterparty, the demand could be for the posting of collateral. In the absence of expressly agreed provisions that specify the collateral that must be provided, the obligation to supply the collateral requested will be a function of the facts and circumstances of the Company's situation at the time of the demand. If the Company can reasonably claim that it is willing and financially able to perform its obligations, it may be possible that no collateral would need to be posted or that only an amount equal to two or three months of future payments should be sufficient. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Note 12: General Taxes

The following table summarizes the components of general tax expense for the years ended December 31:

	2017	2016	2015
Gross receipts and franchise	$ 110	$ 106	$ 99
Property and capital stock	105	106	98

Payroll	31	32	31
Other general	13	14	15
Total general taxes	$ 259	$ 258	$ 243

Note 13: Income Taxes

The following table summarizes the components of income tax expense for the years ended December 31:

	2017	2016	2015
Current income taxes			
State	$ 25	$ 20	$ 10
Federal	(1)	1	—
Total current income taxes	$ 24	$ 21	$ 10
Deferred income taxes			
State	$ 50	$ 24	$ 32
Federal	413	258	265
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	462	281	296
Provision for income taxes	$ 486	$ 302	$ 306

The following is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2017	2016	2015
Income tax at statutory rate	35.0 %	35.0%	35.0%
Increases (decreases) resulting from:			
State taxes, net of federal taxes	5.4 %	3.8%	3.6%
Tax Cuts and Jobs Act	13.7 %	—%	—%
Other, net	(0.8)%	0.4%	0.5%
Effective tax rate	53.3 %	39.2%	39.1%

On December 22, 2017, President Trump signed into law the TCJA. Substantially all of the provisions of the TCJA are effective for taxable years beginning after December 31, 2017. The TCJA includes significant changes to the Internal Revenue Code of 1986, as amended (the "Code"), including amendments which significantly change the taxation of individuals and business entities, and includes specific provisions related to regulated public utilities. The more significant changes that impact the Company included in the TCJA are reductions in the corporate federal income tax rate from 35% to 21%, and several technical provisions including, among others, limiting the utilization of net operating losses ("NOLs") arising after December 31, 2017 to 80% of taxable income with an indefinite carryforward. The specific provisions related to regulated public utilities in the TCJA generally allow for the continued deductibility of interest expense, the elimination of full expensing for tax purposes of certain property acquired after September 27, 2017 and continue certain rate normalization requirements for accelerated depreciation benefits. Non-regulated segments of the Company's business will be able to take advantage of the full expensing provisions of the TCJA.

Changes in the Code from the TCJA had a material impact on our financial statements in 2017. Under GAAP, specifically Accounting Standards Codification ("ASC") Topic 740, Income Taxes, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred income tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment, the Company's deferred income taxes were re-measured based upon the new tax rate. For the Company's regulated entities, substantially all of the change in deferred income taxes are recorded as either an offset to a regulatory asset or liability because changes are expected to be recovered by or refunded to customers. For the Company's unregulated operations, the change in deferred income taxes is recorded as a non-cash re-measurement adjustment to earnings.

The staff of the U.S. Securities and Exchange Commission (the "SEC") has recognized the complexity of reflecting the impacts of the TCJA, and on December 22, 2017 issued guidance in Staff Accounting Bulletin 118 ("SAB 118") which clarifies accounting for income taxes under ASC 740 if information is not yet available or complete and provides for up to a one year period in which to complete the required analyses and accounting. SAB 118 describes three scenarios or buckets associated with a company's status of accounting for income tax reform: (1) a company is complete with its accounting for certain effects of tax reform, (2) a company is able to determine a reasonable estimate for certain effects of tax reform and records that estimate as a provisional amount, or (3) a company is not able to determine a reasonable estimate and therefore continues to apply ASC 740, based on the provisions of the tax laws that were in effect immediately prior to the TCJA being enacted. The Company has made a reasonable estimate for the measurement and accounting of certain effects of the TCJA which have been reflected in the December 31, 2017 financial statements. The re-measurement of deferred income taxes at the new federal tax rate increased the 2017 deferred income tax provision by $125 million for the year ending December 31, 2017. Additionally, the accumulated deferred income tax liability decreased by $1.39 billion and regulatory liabilities increased by $1.51 billion, respectively, as of December 31, 2017.

As provided for under SAB 118, the Company has not recorded the impact for certain items under TCJA for which it has not yet been able to gather, prepare and analyze the necessary information in reasonable detail to complete the ASC 740 accounting. For these items, which include the impact of TCJA on state income taxes, the current and deferred income taxes were recognized and measured based on the provisions of the tax laws that were in effect immediately prior to the TCJA being enacted. The current and deferred state taxes are $25 million and $50 million as of December 31, 2017, respectively. The determination of the impact of the income tax effects of these items and the items reflected as provisional amounts will require additional analysis of historical records and further interpretation of the TCJA from yet to be issued U.S. Treasury regulations which will require more time, information and resources than currently available to the Company.

The following table provides the components of the net deferred tax liability as of December 31:

	2017	2016
Deferred tax assets		
Advances and contributions	$ 395	$ 540
Tax losses and credits	256	301
Regulatory income tax assets	327	—
Pension and other postretirement benefits	96	173
Other	49	90
Total deferred tax assets	1,123	1,104
Valuation allowance	(13)	(6)
Total deferred tax assets, net of allowance	$ 1,110	$ 1,098
Deferred tax liabilities		
Property, plant and equipment	$ 2,489	$ 3,339
Deferred pension and other postretirement benefits	69	126
Other	103	229
Total deferred tax liabilities	2,661	3,694
Total deferred tax liabilities, net of deferred tax assets	$ (1,551)	$ (2,596)

As of December 31, 2017 and 2016, the Company recognized federal NOL carryforwards of $1.05 billion and $1.23 billion, respectively. The Company believes the federal NOL carryforwards are more likely than not to be recovered and require no valuation allowance. The Company's federal NOL carryforwards will begin to expire in 2028.

As of December 31, 2017 and 2016, the Company had state NOLs of $322 million and $625 million, respectively, a portion of which are offset by a valuation allowance because the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards will begin to expire in 2018 through 2037.

As of December 31, 2017 and 2016, the Company had an insignificant amount of Canadian NOL carryforwards and capital loss carryforwards for federal income tax purposes.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2012. The Company has state income tax examinations in progress and does not expect material adjustments to result.

The following table summarizes the changes in the Company's gross liability, excluding interest and penalties, for unrecognized tax benefits:

Balance as of January 1, 2016	$	233
Increases in current period tax positions		10
Decreases in prior period measurement of tax positions		(74)
Balance as of December 31, 2016	$	169
Increases in current period tax positions		8
Decreases in prior period measurement of tax positions		(71)
Balance as of December 31, 2017	$	106

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The gross liability was reduced primarily as a result of the Section 481(a) adjustment allocated for the current year when the Company filed the accounting method change with its 2015 tax return. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. If the Company sustains all of its positions as of December 31, 2017, an unrecognized tax benefit of $10 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an insignificant amount of interest and penalties related to its tax positions as of December 31, 2017 and 2016.

The following table summarizes the changes in the Company's valuation allowance:

Balance as of January 1, 2015	$	10
Decreases in current period tax positions		(2)
Balance as of December 31, 2015	$	8
Decreases in current period tax positions		(2)
Balance as of December 31, 2016	$	6
Increases in current period tax positions		7
Balance as of December 31, 2017	$	13

Note 14: Employee Benefits

Pension and Other Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the Plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental non-qualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional contributions if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 6—Regulatory Assets and Liabilities. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed and commingled funds including equities and fixed income securities.

The investment policy guidelines of the pension plan require that the fixed income portfolio has an overall weighted-average credit rating of A or better by Standard & Poor's. None of the Company's securities are included in pension or other postretirement benefit plan assets. The investment policies' objectives are focused on reducing the volatility of the plans' funded status over a long term horizon.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of 2017, the fair values and asset allocations of the pension plan assets include the American Water Pension Plan, the New York Water Service Corporation Pension Plan, and the Shorelands Water Company, Inc. Pension Plan.

The fair values and asset allocations of pension plan assets as of December 31, 2017 and 2016, respectively, by asset category were as follows:

Asset Category	2018 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2017
Cash		$ 7	$ 7	$ —	$ —	—
Equity securities:	50%					
U.S. large cap		344	344	—	—	21%
U.S. small cap		84	79	5	—	5%
International		295	2	149	144	18%
Real estate fund		86	—	—	86	5%
REITs		26	—	26	—	2%
Fixed income securities:	50%					
U.S. Treasury securities and government bonds		200	180	20	—	12%
Corporate bonds		519	—	519	—	31%
Mortgage-backed securities		1	—	1	—	—
Municipal bonds		31	—	31	—	2%
Long duration bond fund		8	8	—	—	1%
Guarantee annuity contracts		48	—	—	48	3%
Total	100%	$ 1,649	$ 620	$ 751	$ 278	100%

Asset Category	2017 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2016
Cash		$ 10	$ 10	$ —	$ —	—
Equity Securities:	60%					
U.S. large cap		316	316	—	—	22%
U.S. small cap		134	134	—	—	9%
International		259	—	259	—	18%
Real estate fund		101	—	—	101	7%
REITs		24	—	24	—	2%
Fixed income securities:	40%					
U.S. Treasury securities and government bonds		150	114	36	—	11%
Corporate bonds		391	—	391	—	27%
Mortgage-backed securities		3	—	3	—	—
Long duration bond fund		7	7	—	—	1%
Guarantee annuity contracts		48	—	9	39	3%
Total	100%	$ 1,443	$ 581	$ 722	$ 140	100%

The following tables present a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2017 and 2016, respectively:

	Level 3
Balance as of January 1, 2017	$ 140
Actual return on assets	2
Purchases, issuances and settlements, net	136
Balance as of December 31, 2017	$ 278

	Level 3
Balance as of January 1, 2016	$ 136
Actual return on assets	8
Purchases, issuances and settlements, net	(4)
Balance as of December 31, 2016	$ 140

The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns. Strategies to address the goal of ensuring sufficient assets to pay benefits include target allocations to a broad array of asset classes and, within asset classes, strategies are employed to provide adequate returns, diversification and liquidity.

In 2012, the Company implemented a de-risking strategy for the American Water Pension Plan after conducting an asset-liability study to reduce the volatility of the funded status of the plan. As part of the de-risking strategy, the Company revised the asset allocations to increase the matching characteristics of fixed-income assets relative to liabilities. The fixed income portion of the portfolio was designed to match the bond-like and long-dated nature of the postretirement liabilities. In 2017, the Company further increased its exposure to liability-driven investing and increased its fixed-income allocation to 50%, up from 40%, in an effort to further decrease the funded status volatility of the plan and hedge the

portfolio from movements in interest rates.

In 2012, the Company also implemented a de-risking strategy for the medical bargaining trust within the plan to minimize volatility. In 2017, the Company conducted a new asset-liability study that indicated medical trend inflation that outpaced the Consumer Price Index by more than 2% for the last 20 years. Given continuously rising medical costs, the Company decided to increase the equity exposure of the portfolio to 30%, up from 20%, while reducing the fixed-income portion of the portfolio from 80% to 70%. The Company also conducted an asset-liability study for the Post-Retirement Non-Bargaining Medical Plan. Its allocation was adjusted to make it more conservative, reducing the equity allocation from 70% to 60% and increasing the fixed-income allocation from 30% to 40%. The Post-Retirement Medical Non-Bargaining plan's equity allocation was reduced due to the cap on benefits for some non-union participants and resultant reduction in the plan's liabilities. These changes will take place in 2018.

The Company engages third party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g. fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. Voluntary Employees' Beneficiary Association ("VEBA") Trust assets include the American Water Post-Retirement Medical Benefits Bargaining Plan, the New York Water Service Corporation Post-Retirement Medical Benefits Bargaining Plan, the American Water Post-Retirement Medical Benefits Non-Bargaining Plan, and the American Water Life Insurance Trust.

The fair values and asset allocations of postretirement benefit plan assets as of December 31, 2017 and 2016, respectively, by asset category, were as follows:

Asset Category	2018 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2017
Bargain VEBA:						
Cash		$ 18	$ 18	$ —	$ —	—
Equity securities:	30%					
U.S. large cap		44	44	—	—	10%
International		51	51	—	—	12%
Fixed income securities:	70%					
U.S. Treasury securities and government bonds		48	21	27	—	11%
Corporate bonds		233	—	233	—	55%
Municipal bonds		26	—	26	—	6%
Long duration bond fund		4	4	—	—	1%
Future and option contracts (a)		2	2	—	—	5%
Total bargain VEBA	100%	$ 426	$ 140	$ 286	$ —	100%
Non-bargain VEBA:						
Cash		$ 1	$ 1	$ —	$ —	—
Equity securities:	60%					
U.S. large cap		53	53	—	—	37%
U.S. small cap		5	5	—	—	4%
International		47	47	—	—	33%
Fixed income securities:	40%					
Core fixed income bond fund (a)		36	36	—	—	26%
Total non-bargain VEBA	100%	$ 142	$ 142	$ —	$ —	100%
Life VEBA:						
Cash		$ 3	$ 3	$ —	$ —	—
Equity securities:	70%					
U.S. large cap		3	3	—	—	38%
Fixed income securities:	30%					
Core fixed income bond fund (a)		2	2	—	—	62%
Total life VEBA	100%	$ 8	$ 8	$ —	$ —	100%
Total	100%	$ 576	$ 290	$ 286	$ —	100%

(a) Includes cash for margin requirements.

Asset Category	2017 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2016
Bargain VEBA:						
Equity securities:	20%					
U.S. large cap		$ 35	$ 35	$ —	$ —	9%
International		40	40	—	—	10%
Fixed income securities:	80%					
U.S. Treasury securities and government bonds		84	84	—	—	22%
Corporate bonds		223	—	223	—	58%
Long duration bond fund		3	3	—	—	1%
Future and option contracts (a)		1	1	—	—	—
Total bargain VEBA	100%	$ 386	$ 163	$ 223	$ —	100%
Non-bargain VEBA:						
Cash		$ 2	$ 2	$ —	$ —	—
Equity securities:	70%					
U.S. large cap		29	29	—	—	22%
U.S. small cap		30	30	—	—	22%
International		37	37	—	—	28%
Fixed income securities:	30%					
Core fixed income bond fund		36	36	—	—	28%
Total non-bargain VEBA	100%	$ 134	$ 134	$ —	$ —	100%
Life VEBA:						
Equity securities:	70%					
U.S. large cap		$ 3	$ 3	$ —	$ —	60%
Fixed income securities:	30%					
Core fixed income bond fund		2	2	—	—	40%
Total life VEBA	100%	$ 5	$ 5	$ —	$ —	100%
Total	100%	$ 525	$ 302	$ 223	$ —	100%

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Equity securities are valued based on quoted prices in active markets and categorized as Level 1. Certain equities, such as international securities held in the pension plan are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2. For limited partnerships, the assets as a whole are categorized as level 3 due to the fact that the partnership provides the pricing and the pricing inputs are less readily observable. In addition, the limited partnership vehicle cannot be readily traded.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. They are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can

corroborate.

Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily. Exchange-traded options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement and the vehicle is in the form of a limited partnership.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

The following table provides a rollforward of the changes in the benefit obligation and plan assets for the most recent two years for all plans combined:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 1,864	$ 1,720	$ 610	$ 667
Service cost	33	32	10	12
Interest cost	80	80	26	28
Plan participants' contributions	—	—	2	2
Plan amendments	—	—	—	(156)
Actuarial (gain) loss	118	100	(9)	82
Acquisitions	9	—	—	—
Settlements	—	(3)	—	—
Gross benefits paid	(70)	(65)	(26)	(26)
Federal subsidy	—	—	1	1
Benefit obligation as of December 31,	$ 2,034	$ 1,864	$ 614	$ 610
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,443	$ 1,376	$ 525	$ 500
Actual return on plan assets	227	99	69	32
Employer contributions	42	36	6	17
Plan participants' contributions	—	—	2	2
Settlements	—	(3)	—	—
Acquisitions	7	—	—	—
Benefits paid	(70)	(65)	(26)	(26)
Fair value of plan assets as of December 31,	$ 1,649	$ 1,443	$ 576	$ 525
Funded value as of December 31,	$ (385)	$ (421)	$ (38)	$ (85)
Amounts recognized in the balance sheet consist of:				
Noncurrent asset	$ —	$ —	$ 2	$ 2
Current liability	(2)	(2)	—	—
Noncurrent liability	(383)	(419)	(40)	(87)
Net amount recognized	$ (385)	$ (421)	$ (38)	$ (85)

On July 31, 2016, the other postretirement benefit plan was re-measured to reflect a plan amendment, which capped benefits for certain non-union plan participants. The re-measurement included an $156 million reduction in future benefits payable to plan participants, and resulted in an $89 million reduction to the net accrued postretirement benefit obligation. The plan amendment will be amortized over 10.2 years, the average future working lifetime to full eligibility age for all plan participants.

The following table provides the components of the Company's accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Net actuarial loss	$ 416	$ 466	$ 108	$ 170
Prior service cost (credit)	2	2	(140)	(158)
Net amount recognized	$ 418	$ 468	$ (32)	$ 12
Regulatory assets (liabilities)	$ 270	$ 300	$ (32)	$ 12
Accumulated other comprehensive income	148	168	—	—
Total	$ 418	$ 468	$ (32)	$ 12

As of December 31, 2017 and 2016, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected obligation in excess of plan assets were as follows:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2017	2016
Projected benefit obligation	$ 2,034	$ 1,864
Fair value of plan assets	1,649	1,443

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2017	2016
Accumulated benefit obligation	$ 1,888	$ 1,722
Fair value of plan assets	1,649	1,443

The accumulated postretirement benefit obligation exceeds plan assets for all of the Company's other postretirement benefit plans, except for the New York Water Medical Benefits Bargaining Trust.

In August 2006, the PPA was signed into law in the U.S. The PPA replaces the funding requirements for defined benefit pension plans by requiring that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The PPA was effective for the 2008 plan year with short-term phase-in provisions for both the funding target and at-risk determination. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to the greater of the minimum required contributions or the normal cost in 2018 to the qualified pension plans. The Company plans to contribute to its 2018 other postretirement benefit cost for rate-making purposes.

Information about the expected cash flows for the pension and postretirement benefit plans is as follows:

	Pension Benefits	Other Benefits
2018 expected employer contributions:		
To plan trusts	$ 39	$ —
To plan participants	2	—

The following table reflects the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2018	$ 77	$ 29	$ 2
2019	83	31	2
2020	89	32	2
2021	94	34	2
2022	99	35	2
2022-2026	577	192	12

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

The significant assumptions related to the Company's pension and other postretirement benefit plans were as follows:

	Pension Benefits			Other Benefits		
	2017	2016	2015	2017	2016	2015
Weighted-average assumptions used to determine December 31 benefit obligations:						
Discount rate	3.75%	4.28%	4.66%	3.73%	4.26%	4.67%
Rate of compensation increase	3.02%	3.07%	3.10%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from	graded from	graded from
				7.00% in 2018	7.00% in 2017	6.50% in 2016
				to 4.50% in 2026+	to 5.00% in 2021+	to 5.00% in 2021+
Weighted-average assumptions used to determine net periodic cost:						
Discount rate	4.28%	4.66%	4.24%	4.26%	3.66%	4.24%
Expected return on plan assets	6.49%	7.02%	6.91%	5.09%	5.37%	4.92%
Rate of compensation increase	3.07%	3.10%	3.12%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from	graded from	graded from
				7.00% in 2017	6.50% in 2016	6.75% in 2015
				to 5% in 2021+	to 5.00% in 2021+	to 5.00% in 2021+

Note: N/A - Assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. At year-end 2011, the Company began using an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. The yield curve was developed for a universe containing the majority of U.S.-issued AA-graded corporate bonds, all of which were non-callable (or callable with make-whole provisions). Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns and for the effect of expenses paid from plan assets. The Company's pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.49% to estimate its 2017 pension benefit costs, and an expected blended return based on weighted assets of 5.09% to estimate its 2017 other postretirement benefit costs.

In the determination of year end 2014 projected benefit plan obligations, the Company adopted a new table based on the Society of Actuaries RP 2014 mortality table including a generational BB-2D projection scale. The adoption resulted in a significant increase to pension and other postretirement benefit plans' projected benefit obligations. In 2015 a new MP 2015 Projection Scale was issued, but not adopted by the Company since all of the experience upon which the MP 2015 Projection Scale is based was considered by the Company in selecting its 2014 assumptions. For year-end 2017, the Company retained the Society of Actuaries RP-2014 mortality table as its base mortality table but adopted the new MP-2017 generational projection scale to project mortality improvements after 2006.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. The health care cost trend rate is based on historical rates and expected market conditions. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 5	$ (4)
Effect on other postretirement benefit obligation	73	(60)

The following table provides the components of net periodic benefit costs for the years ended December 31:

	2017	2016	2015
Components of net periodic pension benefit cost:			
Service cost	$ 33	$ 32	$ 37
Interest cost	80	80	74
Expected return on plan assets	(93)	(95)	(97)
Amortization of:			
Prior service cost (credit)	1	1	1
Actuarial (gain) loss	34	27	25
Net periodic pension benefit cost	$ 55	$ 45	$ 40
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Amortization of prior service credit (cost)	$ —	$ —	$ —
Current year actuarial (gain) loss	(7)	21	10
Amortization of actuarial gain (loss)	(7)	(6)	(5)
Total recognized in other comprehensive income	$ (14)	$ 15	$ 5
Total recognized in net periodic benefit cost and comprehensive income	$ 41	$ 60	$ 45
Components of net periodic other postretirement benefit cost:			
Service cost	$ 10	$ 12	$ 14
Interest cost	26	28	30
Expected return on plan assets	(26)	(27)	(26)
Amortization of:			
Prior service cost (credit)	(18)	(9)	(2)
Actuarial (gain) loss	10	5	5
Net periodic other postretirement benefit cost	$ 2	$ 9	$ 21

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service of the current active membership for the plans.

The estimated amounts that will be amortized from accumulated other comprehensive income and regulatory assets into net periodic benefit cost in 2018 are as follows:

	Pension Benefits	Other Benefits
Actuarial (gain) loss	$ 27	$ 4
Prior service cost (credit)	1	(18)
Total	$ 28	$ (14)

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006 the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. Plan expenses totaled $13 million, $9 million and $9 million for 2017, 2016 and 2015, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 15: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $475 million as of December 31, 2017.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. The future annual commitments related to minimum quantities of purchased water having non-cancelable terms are as follows:

Year	Amount
2018	$ 59
2019	65
2020	65
2021	65
2022	64
Thereafter	661

The Company enters into agreements for the provision of services to water and wastewater facilities for the United States military, municipalities and other customers. The Company's military agreements expire between 2051 and 2068 and have remaining performance commitments as measured by estimated remaining contract revenue of $3.6 billion as of December 31, 2017. The military agreements are subject to customary termination provisions held by the U.S. government prior to the agreed upon contract expiration. The Company's O&M agreements with municipalities and other customers expire between 2018 and 2038 and have remaining performance commitments as measured by estimated remaining contract revenue of $711 million as of December 31, 2017. Some of the Company's long-term contracts to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2017, the Company has accrued approximately $135 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $27 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 15—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

Background

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol ("MCHM"), and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the West Virginia-American Water Company ("WVAWC") treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection, WVAWC took immediate steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a "Do Not Use" order for all of its approximately 93,000 customer accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC's customers were subject to the Do Not Use order.

Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, more than 70 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. In January 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed until April 22, 2018 pending the approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. The court in the Federal action has continued the start of the trial indefinitely pending ongoing settlement approval activities.

Proposed Global Class Action Settlement

In October 2016, the court in the Federal action approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle claims among the American Water Defendants, and all class members, putative class members, claimants and potential claimants, arising out of the Freedom Industries chemical spill. On April 27, 2017, the parties filed with the court in the Federal action a proposed settlement agreement providing details of the terms of the settlement of these matters and requesting that the court in the Federal action grant preliminary approval of such settlement. On July 6, 2017, the court in the Federal action issued an opinion denying without prejudice the joint motion for preliminary approval of the Settlement. On August 25, 2017, the parties filed a proposed amended settlement agreement and related materials addressing the matters set forth in the July 6, 2017 order.

On September 21, 2017, the court in the Federal action issued an order granting preliminary approval of a settlement class and proposed class action settlement (the "Settlement") with respect to claims against the American Water Defendants by all putative class members (collectively, the "Plaintiffs") for all claims and potential claims arising out of the Freedom Industries chemical spill. The Settlement proposes a global resolution of all federal and state litigation and potential claims against the American Water Defendants and their insurers. Under the terms and conditions of the Settlement and the proposed amended settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved. Under federal class action rules, claimants had the right, until December 8, 2017, to elect to opt out of the final Settlement, in which case such claimant would not receive any benefit from or be bound by the terms of the Settlement. As of January 31, 2018, less than 100 of the 225,000 estimated putative Plaintiffs have submitted opt-out notices. The deadline to file a claim in the Settlement is February 21, 2018.

The proposed aggregate pre-tax amount of the Settlement with respect to the Company is $126 million. The aggregate portion of the Settlement to be contributed by WVAWC, net of insurance recoveries, is $43 million (approximately $26 million after-tax), taking into account the September 2017 settlement with one of the Company's general liability insurance carriers discussed below. Another defendant to the Settlement is to contribute up to $25 million to the Settlement. Two of the Company's general liability insurance carriers, which provide an aggregate of $50 million in insurance coverage to the Company under these policies, had been originally requested to participate in the Settlement at the time of the initial filing of the binding agreement in principle with the court in the Federal action, but did not agree to do so at that time. WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constituted a breach of contract. On September 19, 2017, the Company and the insurance carrier settled this lawsuit for $22 million, out of a maximum of $25 million in potential coverage under the terms of the relevant policy, in exchange for a full release by the Company and WVAWC of all claims against the insurance carrier related to the Freedom Industries chemical spill. WVAWC and the settling insurer have agreed to stay this litigation pending final approval of the Settlement. The Company and WVAWC continue to pursue vigorously their rights to insurance coverage for contributions by WVAWC to the Settlement in mandatory arbitration with the remaining non-participating carrier. This arbitration proceeding remains pending.

The proposed Settlement would establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76 million, of which $29 million will be contributed by WVAWC, including insurance deductibles, and $47 million would be contributed by two of the Company's general liability insurance carriers, and (ii) an individual review claim fund of up to $50 million, of which up to $14 million would be contributed by WVAWC and up to $36 million would be contributed by a number of the Company's general liability insurance carriers. Separately, up to $25 million would be contributed to the guaranteed fund by another defendant to the Settlement. If any final approval order by the court in the Federal action with respect to the Settlement is appealed and such appeal would delay potential payment to claimants under the Settlement, WVAWC and the other defendant to the Settlement will contribute up to $50 million and $25 million, respectively, to the Settlement (not including, in the case of WVAWC, any contributions by the Company's general liability insurance carriers which would not be made until such time as a final, non-appealable order is issued) into an escrow account during the pendency of such appeals. For certain claims, WVAWC and the other defendant to the Settlement may, in lieu of these escrowed contributions, make advance payments of such claims if agreed to by the parties. All administrative expenses of the Settlement and attorneys' fees of class counsel related thereto would be paid from the funds designated to pay claims covered by the Settlement.

As a result of these events, in the third quarter of 2016, the Company recorded a charge to earnings, net of insurance receivables, of $65 million ($39 million after-tax). Additionally, in the third quarter of 2017, the Company recorded a benefit of $22 million ($13 million after-tax) as an additional insurance receivable reflecting the settlement with the insurance carrier described above. The settlement amount of $126 million is reflected in Accrued Liabilities and the offsetting insurance receivables are reflected in Other Current Assets in the Consolidated Balance Sheet as of December 31, 2017. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia (the "PSC") for approximately $4 million in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The $36 million to be contributed by a number of the Company's general liability insurance carriers to the individual review claim fund, as noted above, is from higher layers of the insurance structure than the insurance carrier that was requested, but presently has not agreed, to participate in the Settlement. Any recovery by WVAWC or the Company from the remaining non-participating carrier would reimburse WVAWC for its contributions to the guaranteed fund.

Notice of the terms of the Settlement to members of the settlement class commenced on October 11, 2017. Following the notice period, on January 9, 2018, the court in the Federal action held a fairness hearing to consider final approval of the Settlement, which was continued on February 1, 2018 to address certain open matters. At this hearing, the court in the Federal action indicated that it intended to enter an order approving the Settlement, and the parties submitted a proposed order to the court on February 2, 2018.

Other Related Proceedings

Additionally, investigations with respect to the matter have been initiated by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the PSC. As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act. Moreover, the PSC issued an order on June 15, 2017 concluding its investigation without requiring WVAWC to take any further action with respect to the matters covered by the general investigation.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. In September 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. On April 4, 2017, the CSB indicated that the implementation by the Company of source water protection activities resolved the first two parts of the CSB's recommendation. The CSB also noted that compliance by the Company with the third part of its recommendation is ongoing and that closure of this part is contingent upon completion of updated contingency planning for the Company's water utilities outside of West Virginia. In light of public response to its original September 2016 investigation report, on May 11, 2017, the CSB issued a new version of this report. The primary substantive change addressed CSB's factual evaluation of the duration and volume of contamination from the leaking tank, decreasing its estimate of the leak time but increasing the volume estimate by 10%. No substantive changes were made to the conclusions and recommendations in the original report. The Company has submitted an updated report on contingency planning and is awaiting CSB's further review.

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the "public nuisance" it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a complaint in Lincoln County state court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public nuisance in Lincoln County. The complaint seeks an injunction against WVAWC that would require the creation of various databases and public repositories of documents related to the Freedom Industries chemical spill, as well as further study and risk assessments regarding the alleged exposure of Lincoln County residents to the released chemicals. On June 12, 2017, the Mass Litigation Panel entered an order granting a motion to transfer this case to its jurisdiction and stayed the case consistent with the existing stay order. The LCC has elected to opt out of the Settlement. On January 26, 2018, the LCC filed a motion seeking to lift the stay imposed by the Mass Litigation Panel. This motion is pending. WVAWC believes that this lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

California Public Utilities Commission Residential Rate Design Proceeding

In December 2016, the CPUC issued a final decision in a proceeding involving California-American Water Company, a wholly owned subsidiary of the Company ("Cal Am"), adopting a new residential rate design for Cal Am's Monterey District. The decision allowed for recovery by Cal Am of $32 million in under-collections in the water revenue adjustment mechanism/modified cost balancing account ("WRAM/MCBA") over a five-year period, plus interest, and modified existing conservation and rationing plans. In its decision, the CPUC noted concern regarding Cal Am's residential tariff administration, specifically regarding the lack of verification of customer-provided information about the number of residents per household. This information was used for generating billing determinants under the tiered rate system. As a result, the CPUC kept this proceeding open to address several issues, including whether Cal Am's residential tariff administration violated a statute, rule or CPUC decision, and if so, whether a penalty should be imposed.

On February 24, 2017, Cal Am, the Monterey Peninsula Water Management District, the CPUC's Office of Ratepayer Advocates, and the Coalition of Peninsula Businesses filed for CPUC approval of a joint settlement agreement (the "Joint Settlement Agreement"), which among other things, proposed to resolve the CPUC's residential tariff administration concerns by providing for a waiver by Cal Am of $0.5 million of cost recovery for residential customers through the WRAM/MCBA in lieu of a penalty. Approval of the Joint Settlement Agreement, which is required for it to take effect, remains pending before the CPUC.

On March 28, 2017, the administrative law judge assigned to the proceeding issued a ruling stating there was sufficient evidence to conclude, on a preliminary basis, that Cal Am's administration of the residential tariff violated certain provisions of the California Public Utilities Code and a CPUC decision. The ruling ordered Cal Am to show cause why it should not be penalized for these administrative violations and directed the settling parties to address whether the cost recovery waiver in the Joint Settlement Agreement was reasonable compared to a potential penalty range described by the administrative law judge. During hearings held on April 13-14, 2017, the administrative law judge clarified that this potential penalty range is $3 million to $179 million (calculated as a continuing violation dating back to 2000 and applying penalties of up to $20,000 per day until January 1, 2012 and penalties of up to $50,000 per day thereafter, reflecting a 2012 change to the relevant statute). The administrative law judge also noted that a per diem penalty may not be appropriate, as Cal Am's monthly billing practices did not allow Cal Am to update customer-provided information for billing purposes on a daily basis. Hearings before the administrative law judge in this matter were held in August, September and November 2017. Cal Am also submitted additional testimony on the issue of whether Cal Am should be penalized, and if so, the reasonable amount of any such penalty. This proceeding remains pending, and the CPUC has set a statutory deadline of September 30, 2018 for the completion of the proceeding.

As of December 31, 2017, the portions of this loss contingency that are probable and/or reasonably possible have been determined to be immaterial to the Company and have been included in the aggregate maximum amounts described above in the paragraph under "Contingencies" in this Note 15.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of WVAWC's West Relay pumping station located in the City of Dunbar. The failure of the main caused water outages and low pressure to up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was completed safely on June 30, 2015. Water service was fully restored on July 1, 2015 to all customers affected by this event.

On June 2, 2017, a class action complaint was filed in West Virginia Circuit Court in Kanawha County against WVAWC on behalf of a purported class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

On October 12, 2017, WVAWC filed with the court a motion seeking to dismiss all of the plaintiffs' counts alleging statutory and common law tort claims. Furthermore, WVAWC asserts that the PSC, and not the court, has primary jurisdiction over allegations involving violations of the applicable tariff, the public utility code and related rules. This motion remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible losses or a range of such losses related to this proceeding.

Note 16: Earnings per Common Share

The following is a reconciliation of the numerator and denominator for basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2017	2016	2015
Numerator:			
Net income attributable to common stockholders	$ 426	$ 468	$ 476
Denominator:			
Weighted average common shares outstanding—Basic	178	178	179
Effect of dilutive common stock equivalents	1	1	1
Weighted average common shares outstanding—Diluted	179	179	180

The effect of dilutive common stock equivalents is related to RSUs and performance stock units granted under the 2007 and 2017 Omnibus Equity Compensation Plans, as well as shares purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2017, 2016 and 2015 because their effect would have been anti-dilutive under the treasury stock method.

Note 17: Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

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

The carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and fair values of the financial instruments were as follows:

		December 31, 2017			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 10	$ —	$ —	$ 14	$ 14
Long-term debt (excluding capital lease obligations)	6,809	4,846	976	1,821	7,643

		December 31, 2016			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 12	$ —	$ —	$ 15	$ 15
Long-term debt (excluding capital lease obligations)	6,320	3,876	1,363	1,805	7,044

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

- Level 2—inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

- Level 3—unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy as of December 31, 2017 and 2016, respectively:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 28	$ —	$ —	$ 28
Rabbi trust investments	15	—	—	15
Deposits	4	—	—	4
Other investments	3	—	—	3
Total assets	50	—	—	50
Liabilities:				
Deferred compensation obligation	17	—	—	17
Mark-to-market derivative liability	—	3	—	3
Total liabilities	17	3	—	20
Total net assets (liabilities)	$ 33	$ (3)	$ —	$ 30

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 24	$ —	$ —	$ 24
Rabbi trust investments	12	—	—	12
Deposits	3	—	—	3
Mark-to-market derivative asset	—	28	—	28
Other investments	1	—	—	1
Total assets	40	28	—	68
Liabilities:				
Deferred compensation obligation	13	—	—	13
Mark-to-market derivative liability	—	—	—	—
Total liabilities	13	—	—	13
Total net assets (liabilities)	$ 27	$ 28	$ —	$ 55

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations and maintenance projects. Long-term restricted funds of $1 million and $4 million were included in other long-term assets as of December 31, 2017 and 2016, respectively.

Rabbi trust investments—The Company's Rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

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

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

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

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets.

Note 18: Leases

The Company has entered into operating leases involving certain facilities and equipment. Rental expenses under operating leases were $29 million, $24 million and $21 million for the years ended December 31, 2017, 2016 and 2015, respectively. The operating leases for facilities will expire over the next 25 years and the operating leases for equipment will expire over the next 5 years. Certain operating leases have renewal options ranging from one to five years.

The minimum annual future rental commitment under operating leases that have initial or remaining non-cancelable lease terms over the next 5 years and thereafter are as follows:

	Amount
2018	$ 15
2019	14
2020	12
2021	9
2022	8
Thereafter	65

The Company has a series of agreements with various public entities (the “Partners”) to establish certain joint ventures, commonly referred to as “public-private partnerships.” Under the public-private partnerships, the Company constructed utility plant, financed by the Company and the Partners constructed utility plant (connected to the Company’s property), financed by the Partners. The Company agreed to transfer and convey some of its real and personal property to the Partners in exchange for an equal principal amount of Industrial Development Bonds (“IDBs”), issued by the Partners under a state Industrial Development Bond and Commercial Development Act. The Company leased back the total facilities, including portions funded by both the Company and the Partners, under leases for a period of 40 years.

The leases related to the portion of the facilities funded by the Company have required payments from the Company to the Partners that approximate the payments required by the terms of the IDBs from the Partners to the Company (as the holder of the IDBs). As the ownership of the portion of the facilities constructed by the Company will revert back to the Company at the end of the lease, the Company has recorded these as capital leases. The lease obligation and the receivable for the principal amount of the IDBs are presented by the Company on a net basis. The carrying value of the facilities funded by the Company recognized as a capital lease asset was $150 million and $152 million as of December 31, 2017 and 2016, respectively, which is presented in property, plant and equipment in the accompanying Consolidated Balance Sheets. The future payments under the lease obligations are equal to and offset by the payments receivable under the IDBs.

As of December 31, 2017, the minimum annual future rental commitment under the operating leases for the portion of the facilities funded by the Partners that have initial or remaining non-cancelable lease terms in excess of one year included in the preceding minimum annual rental commitments are $4 million in 2018 through 2022, and $63 million thereafter.

Note 19: Segment Information

The Company’s operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions and assess performance. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates businesses that provide a

broad range of related and complementary water and wastewater services in non-regulated markets, which includes four operating segments that individually do not meet the criteria of a reportable segment. These four non-reportable operating segments are collectively presented as our "Market-Based Businesses."

The Regulated Businesses segment is the largest component of the Company's business and includes 20 subsidiaries that provide water and wastewater services to customers in 16 states.

The Market-Based Businesses' four non-reportable operating segments are Military Services Group, Contract Operations Group, Homeowner Services Group and Keystone Operations. Military Services Group performs 50-year contracts with the U.S. government for the operation and maintenance of the water and wastewater systems on certain military bases. Homeowner Services Group provides services to domestic homeowners and smaller commercial establishments to protect against the cost of repairing damaged or blocked pipes inside and outside their accommodations, as well as interior electric lines. Contract Operations Group performs contracts with municipalities, the food and beverage industry and other customers to operate and maintain water and wastewater facilities. Keystone Operations provides customized water sourcing, transfer services, pipeline construction and water storage solutions, for natural gas exploration and production companies.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. See Note 2—Significant Accounting Policies. The Regulated Businesses segment and Market-Based Businesses include intercompany costs that are allocated by American Water Works Service Company, Inc. and intercompany interest that is charged by American Water Capital Corp., which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues, include the sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, furniture and equipment provided by the Company's market-based subsidiaries to its regulated subsidiaries. "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

The following tables include the Company's summarized segment information as of and for the years ended December 31:

	2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,958	$ 422	$ (23)	$ 3,357
Depreciation and amortization	462	18	12	492
Total operating expenses, net	1,781	360	(28)	2,113
Interest, net	(268)	3	(77)	(342)
Income before income taxes	925	66	(79)	912
Provision for income taxes	366	28	92	486
Net income attributable to common stockholders	559	38	(171)	426
Total assets	17,602	599	1,281	19,482
Capital expenditures	1,316	18	100	1,434

	2016			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,871	$ 451	$ (20)	$ 3,302
Depreciation and amortization	440	15	15	470
Total operating expenses, net	1,852	391	(21)	2,222
Interest, net	(256)	2	(71)	(325)
Income before income taxes	775	65	(70)	770
Provision for income taxes	303	26	(27)	302
Net income attributable to common stockholders	472	39	(43)	468
Total assets	16,405	637	1,440	18,482
Capital expenditures	1,274	18	19	1,311

	2015			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,743	$ 434	$ (18)	$ 3,159
Depreciation and amortization	411	8	21	440
Total operating expenses, net	1,732	370	(18)	2,084
Interest, net	(248)	2	(62)	(308)
Income before income taxes	776	68	(62)	782
Provision for income taxes	303	26	(23)	306
Net income attributable to common stockholders	473	42	(39)	476
Total assets	15,258	496	1,487	17,241
Capital expenditures	1,143	17	—	1,160

Note 20: Unaudited Quarterly Data

The following table summarizes certain supplemental unaudited consolidated quarterly financial data for each of the four quarters in the years ended December 31, 2017 and 2016, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 756	$ 844	$ 936	$ 821
Operating income	227	308	430	279
Net income attributable to common stockholders	93	131	203	(1)
Basic earnings per share:				
Net income attributable to common stockholders	$ 0.52	$ 0.74	$ 1.14	$ (0.01)
Diluted earnings per share:				
Net income attributable to common stockholders	0.52	0.73	1.13	—

	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 743	$ 827	$ 930	$ 802
Operating income	214	299	319	248
Net income attributable to common stockholders	82	137	148	101
Basic earnings per share:				
Net income attributable to common stockholders	$ 0.46	$ 0.77	$ 0.83	$ 0.57
Diluted earnings per share:				
Net income attributable to common stockholders	0.46	0.77	0.83	0.57

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2017, our disclosure controls and procedures were effective at a reasonable level of assurance. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed by or under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting, as of December 31, 2017, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our evaluation under the framework in *Internal Control—Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Changes to Long-Term Equity Award Retirement Provisions

On February 14, 2018, our Board of Directors and Executive Development and Compensation Committee approved changes to the retirement provisions of equity awards granted under the Company's 2017 Omnibus Equity Compensation Plan (the "Omnibus Plan") to persons serving as the Company's Chief Executive Officer, Chief Financial Officer or Chief Operating Officer (each, a "Covered Executive"), so long as the Covered Executive has held one or more of those titles (or any other title that contains such title) for a period of at least three years of consecutive service.

These changes acknowledge that these three positions consistently make and/or should make decisions that are in both the short-term and long-term interests of the Company, and extend the vesting of equity awards beyond the Covered Executive's retirement date to reflect the desired accountability. The changes apply to awards that are granted or may be granted to a Covered Executive under the Omnibus Plan commencing on February 14, 2018. These changes did not affect any equity award granted under the Omnibus Plan prior to February 14, 2018.

Except as contemplated by the amended retirement provisions, the Company will not permit the acceleration of vesting of any long-term equity award granted under the Omnibus Plan on account of retirement of a Covered Executive. With respect to a Covered Executive, the amended retirement provisions for a long-term equity award state that such award will continue to vest over the normal vesting schedule of the award after the Covered Executive has a separation from service based upon either normal retirement or early retirement. In the event of a normal retirement of a Covered Executive, defined as having attained age 60 and five years of service with the Company or any subsidiary, an award will vest in full over the normal vesting schedule of the award. In the event of an early retirement of a Covered Executive, defined as having attained age 55 and five years of service with the Company or any subsidiary, 75% of each award will vest over the normal vesting schedule of the award. Performance stock unit awards will continue to vest in accordance with their normal vesting schedule and shall be paid at the end of the three-year performance period based on actual performance. Any stock option granted after February 14, 2018 to a Covered Executive will remain exercisable for a period of two years after the retirement date.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not given below or in Item 1—Business—Executive Officers of this Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance," "Proposal 1—Election of Directors" and "Certain Beneficial Ownership Matters—Section 16(a) Beneficial Ownership Reporting Compliance."

We have adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on our website at *https://amwater.com*. We intend to post on our website any amendments to our Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, under the captions entitled "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders, under the caption entitled "Fees Paid to Independent Registered Public Accounting Firm" and "Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).

2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.

3. Exhibits. The list of documents contained in "Exhibit Index" to this Form 10-K is incorporated by reference in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
4.1	Indenture, dated as of October 22, 2007 between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers' Certificate, dated December 15, 2010, establishing the 6.00% Senior Monthly Notes due 2040 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 15, 2010).
4.4	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.5	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.6	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.8	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.10	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.12	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.13	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.14	Note Purchase Agreement, as amended, dated December 21, 2006, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 4.2 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007) with respect to the 5.52% Series B Senior Notes due December 21, 2016, 5.62% Series C Senior Notes due December 21, 2018 and 5.77% Series D Senior Notes due December 21, 2021.
4.15	Note Purchase Agreement, as amended, dated March 29, 2007, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 4.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007) with respect to 5.62% Series E Senior Notes due March 29, 2019 and 5.77% Series F Senior Notes due March 29, 2022.
4.16	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.25% Series G Senior Notes due May 15, 2018 and the 6.55% Series H Senior Notes due May 15, 2023.
10.1	Amended and Restated Credit Agreement, dated as of June 30, 2015, by and among American Water Works Company, Inc., American Water Capital Corp., each of the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd. and PNC Bank, National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on July 7, 2015).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Amended and Restated Letter Agreement between Loyd Warnock and American Water Works Company, Inc. dated May 7, 2014 (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.4*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).

Exhibit Number	Exhibit Description
10.5*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.37 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.6*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.7*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.8.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.8.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.9*	American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 333-219682, filed August 4, 2017).
10.10.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.10.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Nonqualified Stock Option Grant for ML1 – L5 Employees (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2012).
10.10.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.10.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2014).
10.10.5*	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.6A to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2014).
10.10.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan May 2014 Nonqualified Stock Option Grant Form for Susan N. Story (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.10.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.13.10 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.10.8*	Amendment to American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.13.11 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.10.9*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (for certain executives) (incorporated by reference to Exhibit 10.13.12 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.10.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.11*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (for certain executives) (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).

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Exhibit Number	Exhibit Description
10.10.12*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.13*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (for certain executives) (incorporated by reference to Exhibit 10.2.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.14*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.15*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (for certain executives) (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.16*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.17*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.3.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.18*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.19*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.3.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.10.20*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.21*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.2.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.22*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.23*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.2.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.10.24*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2010 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 4, 2010).
10.10.25*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2011 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2011).
10.10.26*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2012).
10.10.27*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.10.28*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.10.29*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
10.10.30*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.10.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.10.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.33*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (for certain executives) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.34*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.35*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.36*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.37*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.10.38*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Director Stock Unit Agreement (incorporated by reference to

Exhibit Number	Exhibit Description
10.11	Binding Global Agreement in Principle to Settle Claims Arising from the Freedom Industries, Inc. Chemical Spill, dated as of October 31, 2016 (incorporated by reference to Exhibit 10.16 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 21, 2017).
10.12*	American Water Works Company, Inc. Executive Severance Policy, dated as of December 16, 2008 (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 3, 2010).
12.1	Computation of Ratio of Earnings to Fixed Charges (filed herewith).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
101	The following financial statements from American Water Works Company, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Stockholders' Equity; and (vi) the Notes to Consolidated Financial Statements (filed herewith).

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 20th day of February, 2018.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 20th day of February, 2018, by the following persons in the capacities indicated.

/s/ SUSAN N. STORY	/s/ MARTHA CLARK GOSS
Susan N. Story **President and Chief Executive Officer** **(Principal Executive Officer and Director)**	**Martha Clark Goss** **(Director)**
/s/ LINDA G. SULLIVAN	/s/ VERONICA M. HAGEN
Linda G. Sullivan **Executive Vice President and Chief Financial Officer** **(Principal Financial Officer)**	**Veronica M. Hagen** **(Director)**
/s/ MELISSA K. WIKLE	/s/ JULIA L. JOHNSON
Melissa K. Wikle **Vice President and Controller** **(Principal Accounting Officer)**	**Julia L. Johnson** **(Director)**
/s/ GEORGE MacKENZIE	/s/ KARL F. KURZ
George MacKenzie **(Director)**	**Karl F. Kurz** **(Director)**

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Section 2: EX-12.1 (EXHIBIT 12.1 - RATIO OF EARNINGS TO FIXED CHARGES)

Exhibit 12.1

American Water Works Company, Inc.

Computation of Ratio of Earnings to Fixed Charges

(In millions)

	2013	2014	2015	2016	2017
Income from continuing operations before income taxes	$ 608	$ 710	$ 782	$ 770	$ 912
Fixed Charges:					

Interest, dividend on mandatory redeemable preferred shares and amortization of debt discount and expenses and premium on all indebtedness	315	305	316	331	350
Interest factor in rentals	8	7	7	8	9
Interest costs from discontinued operations	—	—	—	—	—
Total fixed charges	323	312	323	339	359
Income from continuing operations plus fixed charges	931	1,022	1,105	1,109	1,271
Ratio of pre-tax income to net income	1.64	1.65	1.64	1.65	2.14
Total fixed charges	323	312	323	339	359
Ratio of earnings to fixed charges	**2.88**	**3.27**	**3.42**	**3.27**	**3.54**

American Water Capital Corp.

Computation of Ratio of Earnings to Fixed Charges

(In millions)

	2013	2014	2015	2016	2017
Income (loss) before income taxes	$ —	$ —	$ —	$ —	$ —
Fixed Charges:					
Interest, dividend on mandatory redeemable preferred shares and amortization of debt discount and expenses and premium on all indebtedness	226	215	229	247	273
Interest factor in rentals	—	—	—	—	—
Interest costs from discontinued operations	—	—	—	—	—
Total fixed charges	226	215	229	247	273
Income (loss) plus fixed charges	226	215	229	247	273
Ratio of pre-tax income to net income	—	—	—	—	—
Total fixed charges	226	215	229	247	273
Ratio of earnings to fixed charges	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

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Section 3: EX-21.1 (EXHIBIT 21.1)

Exhibit 21.1

American Water Works Company, Inc.'s Subsidiaries

As of February 20, 2018

Entity Name	Entity Type	Jurisdiction of Organization
American Industrial Water LLC	Limited Liability Company	Ohio
American Lake Water Company	Corporation	Illinois
American Water - Acciona Agua LLC	Limited Liability Company	Delaware
American Water (USA), LLC	Limited Liability Company	Delaware
American Water Canada Corp.	Corporation	Ontario
American Water Capital Corp.	Corporation	Delaware
American Water Carbon Services Corp.	Corporation	Ontario
American Water Enterprises Holding, LLC	Limited Liability Company	Delaware
American Water Enterprises, LLC	Limited Liability Company	Delaware
American Water Military Services, LLC	Limited Liability Company	Delaware
American Water Operations and Maintenance, Inc.	Corporation	Texas
American Water Resources Holdings, LLC	Limited Liability Company	Delaware

American Water Resources of Florida, LLC	Limited Liability Company	Delaware
American Water Resources of Texas, LLC	Limited Liability Company	Delaware
American Water Resources, LLC	Limited Liability Company	Virginia
American Water Services CDM, Inc.	Corporation	Washington
American Water Services Underground Infrastructure Corp.	Corporation	Ontario
American Water Services, LLC	Limited Liability Company	Delaware
American Water Works Service Company, Inc.	Corporation	Delaware
AW Contract Services (Canada), Inc.	Corporation	Canada
AWI, Inc.	Corporation	Delaware
AW Technologies, LLC	Limited Liability Company	Delaware
Bluefield Valley Water Works Company	Corporation	Virginia
California-American Water Company	Corporation	California
Cocoa Properties I, LLC	Limited Liability Company	Delaware
Edison Water Company	Corporation	New Jersey
EMC American Water Canada Inc.	Corporation	Canada
EMC of St. Charles County, LLC	Limited Liability Company	Missouri
Environmental Disposal Corporation	Corporation	New Jersey
Environmental Management Corporation	Corporation	Missouri
E’town Properties, Inc.	Corporation	Delaware
E’town Services, L.L.C.	Limited Liability Company	New Jersey
Hawaii-American Water Company	Corporation	Nevada
Illinois-American Water Company	Corporation	Illinois
Indiana-American Water Company, Inc.	Corporation	Indiana
Iowa-American Water Company	Corporation	Delaware
Kentucky-American Water Company	Corporation	Kentucky
Keystone Clearwater Solutions, LLC	Limited Liability Company	Delaware
Laurel Oak Properties Corporation	Corporation	Delaware
Liberty Water Company	Corporation	New Jersey
Maryland-American Water Company	Corporation	Maryland
Michigan-American Water Company	Corporation	Michigan
Missouri-American Water Company	Corporation	Missouri
Mt. Ebo Sewage Works, Inc.	Corporation	New York
New Jersey-American Water Company, Inc.	Corporation	New Jersey

Entity Name	Entity Type	Jurisdiction of Organization
New York American Water Company, Inc.	Corporation	New York
OMI/Thames Water Stockton, Inc.	Corporation	Delaware
One Water Street LLC	Limited Liability Company	New Jersey
Pennsylvania-American Water Company	Corporation	Pennsylvania
Prism-Berlie (Windsor) Limited	Corporation	Ontario
Tennessee-American Water Company	Corporation	Tennessee
TWH LLC	Limited Liability Company	Delaware
TWNA, Inc.	Corporation	Delaware
Virginia-American Water Company	Corporation	Virginia
Water Solutions Holdings, LLC	Limited Liability Company	Delaware
West Virginia-American Water Company	Corporation	West Virginia
Whitlock Farms Water Corp., Inc.	Corporation	New York

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Section 4: EX-23.1 (EXHIBIT 23.1)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-219682, 333-217975, 333-168543 and 333-150381) and Form S-3 (Nos. 333-203949 and 333-209933) of American Water Works Company, Inc. of our report dated February 20, 2018 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 20, 2018

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Section 5: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Susan N. Story, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 20, 2018

By: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

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Section 6: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Linda G. Sullivan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 20, 2018

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan

Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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Section 7: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Susan N. Story, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)
February 20, 2018

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Section 8: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Linda G. Sullivan, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the “Company”), hereby certify that, based on my knowledge:

(1) The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan

Executive Vice President and Chief Financial Officer (Principal Financial Officer)

February 20, 2018

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Section 1: 10-K (AWK-10K-20161231)

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2016
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission file: number 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common stock, par value $0.01 per share	**New York Stock Exchange, Inc.**

Securities registered pursuant to Section 12(g) of the Act:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, $0.01 par value—$13,463,200,000 as of June 30, 2016 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2016, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2016, to be controlled by, or under common control with, American Water or any of the persons described in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—178,214,748 shares as of February 16, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2016 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

We have made statements in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K ("Form 10-K"), or incorporated certain statements by reference into this Form 10-K, that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things, our future financial performance, including our operation and maintenance ("O&M") efficiency ratio, cash flows, our growth and portfolio optimization strategies, our projected capital expenditures and related funding requirements, our ability to repay debt, our projected strategy to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory, legislative, tax policy or legal developments or rate adjustments, including rate case filings, filings for infrastructure surcharges and filings to address regulatory lag.

Forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results or levels of activity, performance or achievements, and you are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Our actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower rates;
- the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts;
- changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections;
- weather conditions, patterns, events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, electrical storms and solar flares;
- the outcome of litigation and government action related to the Freedom Industries chemical spill in West Virginia, including matters pertaining to the binding global agreement in principle to settle claims related to this chemical spill;
- our ability to appropriately maintain current infrastructure, including our operational and information technology (IT) systems, and manage the expansion of our business;
- exposure or infiltration of our critical infrastructure, operational technology and IT systems through physical or cyber attacks or other disruptions;
- our ability to obtain permits and other approvals for projects;
- changes in our capital requirements;
- our ability to control operating expenses and to achieve efficiencies in our operations;
- the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers;
- our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations;
- our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of our operations;

- our ability to maintain safe work sites;
- our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water management solutions that are focused on customers in the natural gas exploration and production market;
- changes in general economic, political, business and financial market conditions;
- access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends;
- fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements;
- changes in federal or state income tax laws, including tax reform, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. and state net operating loss carryforwards;
- migration of customers into or out of our service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn our systems;
- difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions;
- the incurrence of impairment charges related to our goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the ability to retain and attract qualified employees;
- civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Form 10-K, and you should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements we make speak only as of the date this Form 10-K was filed with the United States Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

Our Company

With a history dating back to 1886, American Water Works Company, Inc. is a holding company originally incorporated in Delaware in 1936. Through its subsidiaries, American Water is the largest and most geographically diverse investor-owned publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. We also operate several market-based businesses that provide a broad range of related and complementary water and wastewater services. We employ approximately 6,800 professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in 47 states, the District of Columbia and Ontario, Canada.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to "we," "us," "our," the "Company," and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole.

Operating Segments

The largest component of the Company's business includes rate regulated subsidiaries that provide water and wastewater services to customers in 16 states, collectively presented as our "Regulated Businesses". We conduct the majority of our business through the Regulated Businesses segment. We also operate market-based businesses within four operating segments that individually do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"). These four non-reportable operating segments are collectively presented as our "Market-Based Businesses," which is consistent with how management assesses the results of these businesses. Additional information can be found in Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 19—Segment Information in the Notes to Consolidated Financial Statements.

Regulated Businesses

Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial and other customers, including sale for resale and public authority customers. Our Regulated Businesses that provide these services operate in approximately 1,600 communities in 16 states in the United States and are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation, referred to as Public Utility Commissions ("PUCs"). Certain federal and state governments also regulate environmental, health and safety, and water quality matters. We report the results of the services provided by our utilities in our Regulated Businesses segment.

Our Regulated Businesses segment's operating revenues were $2,871 million for 2016, $2,743 million for 2015 and $2,674 million for 2014, accounting for 86.9%, 86.8% and 88.8%, respectively, of total operating revenues for the same periods.

The following table summarizes our Regulated Businesses' operating revenues, number of customers and estimated population served by state, each as of and for the year ended December 31, 2016:

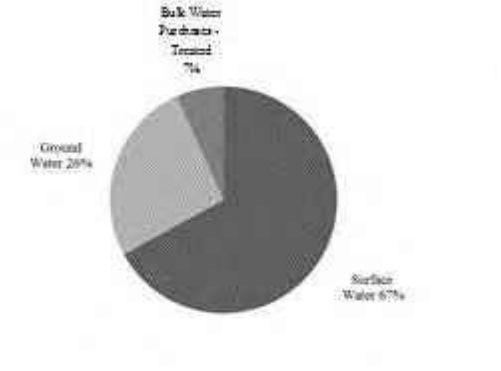
	Operating Revenues (In millions)	% of Total	Number of Customers (In thousands)	% of Total	Estimated Population Served (In millions)	% of Total
New Jersey	$ 730	25.4%	671	20.3%	2.7	22.1%
Pennsylvania	639	22.3%	709	21.4%	2.3	18.8%
Missouri	288	10.0%	476	14.4%	1.5	12.3%
Illinois	275	9.6%	315	9.5%	1.3	10.7%
Indiana	212	7.4%	300	9.1%	1.3	10.7%
California	211	7.4%	176	5.3%	0.7	5.7%
West Virginia	142	4.9%	169	5.1%	0.5	4.1%
Subtotal (Top Seven States)	2,497	87.0%	2,816	85.0%	10.3	84.4%
Other (a)	374	13.0%	496	15.0%	1.9	15.6%
Total Regulated Businesses	$ 2,871	100.0%	3,312	100.0%	12.2	100.0%

(a) Includes data from our utilities in the following states: Georgia, Hawaii, Iowa, Kentucky, Maryland, Michigan, New York, Tennessee and Virginia.

Water Supply and Wastewater Services

Our Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to our customers and collect, treat, transport and recycle wastewater. Typically, we do not own the water itself, which is held in public trust and is allocated to us through contracts and allocation rights granted by federal and state agencies or through the ownership of water rights pursuant to local law. We are dependent on defined sources of water supply and obtain our water supply from surface water sources such as reservoirs, lakes, rivers and streams; from ground water sources, such as wells and aquifers; and water purchased from third party water suppliers. The level of treatment we apply to the water varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically generally require significant treatment, while groundwater sources require chemical treatment only.

The following chart depicts the sources of water supply as of December 31, 2016:



The percentages of water supply by source type for our top seven states based on our Regulated Businesses operating revenues for 2016 were as follows:

	Surface Water	Ground Water	Purchased Water
New Jersey	72%	23%	5%
Pennsylvania	91%	7%	2%
Missouri	80%	19%	1%
Illinois	53%	36%	11%
Indiana	44%	55%	1%
California	—	66%	34%
West Virginia	99%	—	1%

Our ability to meet the existing and future water demands of our customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination, or other factors may limit the availability of ground and surface water. We employ a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of our service areas may mitigate some of the economic effect on the water supply associated with weather extremes we might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas we serve may experience wetter than average weather.

In our long-term planning, we evaluate quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that we have adequate water supply, we use long-term planning processes and maintain contingency plans to minimize the potential impact on service through a wide range of weather fluctuations. In connection with supply planning for most surface or groundwater sources, we employ models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. An example of our use of long-term planning to ensure that we have adequate water supply is our involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, owned by California-American Water Company, our wholly owned subsidiary ("Cal Am"), which includes the construction of wells that would supply water to the desalination plant. In

addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between the Monterey Regional Water Pollution Control Agency ("MRWPCA") and the Monterey Peninsula Water Management District ("MPWMD"). The Water Supply Project is intended, among other things, to fulfill obligations of Cal Am to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB").

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Economic Regulation and Rate Making Process

Our Regulated Businesses operate under a regulatory compact whereby, in exchange for exclusive rights to provide water and wastewater services in defined service territories, we have an obligation to serve customers within those territories requesting service, within reasonable limits. In return for agreeing to invest capital into our water and wastewater systems, we are given the opportunity to recover our costs of doing business and earn a reasonable rate of return on our investments.

The operations of our Regulated Businesses are generally subject to regulation and oversight by their respective state PUCs, with the primary responsibility of the PUCs to promote the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states PUCs approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, capital expenditures, O&M expenses, taxes, transactions and affiliate relationships, reorganizations and mergers and acquisitions. Regulatory policies vary from state to state and could potentially change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

The process to obtain approval for a change in rates generally occurs by way of a rate case filed by the utility with the PUC on a periodic basis. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility's need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions.

Our rate case management program is guided by the principles of obtaining timely recovery of capital investment costs, recognition of declining sales resulting from reduced consumption and appropriate recovery of utility operating and maintenance costs, including costs incurred for compliance with environmental regulations. The program attempts to minimize the delay, or "regulatory lag" between the time our Regulated Businesses make a capital investment or incur an operating expense increase, and the time when those costs are reflected in rates. The management team at each of our utilities accounts for the time required for the regulatory process, and files rate cases with the goal of obtaining rates that reflect as closely as possible the cost of providing service at the time the rates become effective.

Our Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Examples of approved regulatory practices include:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharges	Allows rates to change periodically, outside a general rate proceeding, to reflect recovery of investments made to replace infrastructure necessary to sustain safe, reliable and affordable services for our customer. These mechanisms typically involve an upfront review of overall multi-year investment plans as well as periodic filings and reviews to ensure transparency.	IL, IN, MO, NJ, NY, PA, TN, WV
Future test year	A test period used for setting rates, that begins with the date new rates are effective. This allows current or projected revenues, expenses and investments to be collected on a more timely basis.	CA, HI, IL, IN, KY, NY, PA, TN, VA
Hybrid test year	Allows an update to historical data for “known and measurable” changes that occur subsequent to the historical test year.	IA, MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction. In addition, some states, such as Indiana, allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudency of such projects.	CA, IL, KY, NY PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility’s control, to be recovered outside of a general rate proceeding or deferred until the next general rate proceeding.	CA, IL, MD, MO, NJ, NY, PA, TN, VA, WV
Revenue stability mechanisms	Separates a water utility's cost recovery from the amount of water it sells to recover its fixed costs and on-going infrastructure investment needs. Such a mechanism adjusts rates periodically to ensure that a utility's revenue will be sufficient to cover its costs regardless of sales volume, while providing an incentive for customers to use water more efficiently.	CA, IL, NY
Consolidated tariffs	Use of a unified rate structure for multiple water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state and is generally used to moderate the impact of periodic fluctuations in local costs while lowering administrative costs for customers. Pennsylvania also permits a blending of water and wastewater rate structures.	IA, IL, IN, KY, MD, MO, NJ, PA, WV

We pursue or seek enhancement to these regulatory practices to facilitate efficient recovery of our costs and investments, in order to provide safe, reliable and affordable services to our customers. The ability to seek regulatory treatment as described above does not guarantee that the state PUCs will accept our proposal in the context of a particular rate case, and these practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also our strategy to expand their use in areas where they may not currently apply.

We also support state legislation that enables the consolidation of the largely fragmented water and wastewater industries. Legislation in certain states has generally enabled sales between interested parties, has allowed a reasonable market valuation of purchased property, and has enabled consolidation of water and wastewater rates.

Customers

Our Regulated Businesses have a large and geographically diverse customer base. A customer is a person, corporation, municipality or any other entity that purchases our water or wastewater services as of the last business day of a reporting period. Also, a single customer may purchase our services for use by multiple individuals or businesses in the case of many homes, apartment complexes, businesses and governmental entities.

Residential customers make up the majority of our customer base in all of the states in which we operate. In 2016, residential customers accounted for 91.1% of our customer base, 59.0% of the billed water sales and 55.5% of the operating revenues of our Regulated Businesses. We also serve commercial customers, such as offices, retail stores and restaurants; industrial customers, such as large-scale manufacturing and production operations; and public authorities, such as government buildings and other public sector facilities, including schools. We also supply water through our distribution systems to public fire hydrants for firefighting purposes, to private fire customers for use in fire suppression systems in office buildings and other facilities, as well as to other water utilities in the form of bulk water supplies for distribution to their own customers.

The vast majority of our regulated water customers are metered, which allows us to measure and bill for our customers’ water usage, typically on a monthly basis. We employ a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices (touch read) or via radio frequency to mobile or fixed network data collectors. The majority of new meters are able to support future advances in electronic meter reading. Our wastewater customers are billed either a flat rate or based on their water consumption.

The following table summarizes the number of water and wastewater customers we served by class as of December 31:

	2016		2015		2014	
(In thousands)	**Water**	**Wastewater**	**Water**	**Wastewater**	**Water**	**Wastewater**
Residential	2,846	171	2,829	133	2,814	118
Commercial	220	10	219	8	218	6
Industrial	4	—	4	—	4	—
Public & other	61	—	60	—	59	—
Total	**3,131**	**181**	**3,112**	**141**	**3,095**	**124**

Customer growth in our Regulated Businesses is primarily driven by the following factors:

- adding new customers to our regulated customer base by acquiring water and/or wastewater utility systems;
- organic population growth or decline in our authorized service areas; and
- the sale of water to other community water systems.

Generally, we add customers through acquisitions of small and medium water and/or wastewater systems in close geographic proximity to areas where we operate our Regulated Businesses, which we refer to as "tuck-ins." The proximity of tuck-in opportunities to our regulated footprint allows us to integrate and manage the acquired systems and operations primarily using our existing management and to achieve operational efficiencies and prioritize capital investment needs. Pursuing tuck-ins has been and continues to be a fundamental part of our growth strategy. We intend to continue to expand our regulated footprint geographically by acquiring water and wastewater systems in our existing markets and, if appropriate, pursue acquisition opportunities in certain domestic markets where we do not currently operate our Regulated Businesses. Before entering new regulated markets, we will evaluate the business and regulatory climates to ensure that we will have the opportunity to achieve an appropriate rate of return on our investment while maintaining our high standards for providing safe, reliable and affordable services to our customers, as well as a line of sight to grow our base customers after entering the new market. For more information, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—2016 Strategic Focus & Achievements—Growth.

Seasonality

Customer demand for our water service is affected by weather and is generally greater during the summer months primarily due to increased usage for irrigation systems and other outdoor water use. As such, we typically expect our operating revenues to be the highest in the third quarter of each year compared to any of the other quarters. However, varying summer weather conditions can impact our third quarter financial results. Summer weather that is cooler and/or wetter than average generally serves to suppress customer water demand and can reduce water operating revenues and operating income. Summer weather that is hotter and drier than average generally increases operating revenues and operating income.

Competition

In our Regulated Businesses, we generally do not face direct competition in our existing markets because: (i) we operate in those markets pursuant to certificates of public convenience and necessity (or similar authorizations) issued by state PUCs; and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a high barrier to market entry. However, our Regulated Businesses do face competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. Our largest investor-owned competitors, when pursuing acquisitions, based on a comparison of operating revenues and population served, are Aqua America, Inc., United Water (owned by Suez Environnement Company S.A.), American States Water Company and California Water Service Group. From time to time, we also face competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp. and Corix.

All or portions of our regulated subsidiaries' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods:

- eminent domain (also known as condemnation);
- the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity was granted; and
- the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its certificate.

The acquisition consideration related to such a transaction initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular franchise or charter.

We actively monitor condemnation activities that may affect us as developments occur. We do not believe that condemnation poses a material threat to our ability to operate our Regulated Businesses, either individually or taken as a whole.

Market-Based Businesses

Through our Market-Based Businesses, we provide services to military bases; municipalities; oil and gas exploration and production companies; and to some commercial, industrial and residential customers. These customers are not subject to economic regulation by state PUCs and do not require significant capital investment.

Our Market-Based Businesses segment's operating revenues were $451 million for 2016, $434 million for 2015 and $355 million for 2014, accounting for 13.7%, 13.7% and 11.8%, respectively, of total operating revenues for the same periods. Included within the Market-Based Businesses segment results is operating revenues attributed to Canadian operations of $6 million, $6 million, and $7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Our Market-Based Businesses are comprised of four operating segments:

- Military Services Group, which enters into long-term contracts, generally 50 years, with the U.S. Department of Defense for the O&M of the water and wastewater systems on certain military bases;
- Homeowner Services Group, which primarily provides warranty-type services to homeowners and smaller commercial customers to protect against the cost of repairing broken or leaking water pipes or clogged or blocked sewer pipes, located inside and outside their premise, as well as interior electric line repairs and other services;
- Contract Operations Group, which enters into contracts primarily to operate and maintain water and wastewater facilities and other related services mainly for municipalities and the food and beverage industry; and
- Keystone, which provides customized water sourcing, transfer services, pipeline construction, water and equipment hauling and water storage solutions, for natural gas exploration and production companies.

Military Services Group

Our Military Services Group operates on 12 military bases under 50-year contracts with the U.S. Department of Defense ("DoD"). The scope of the contracts includes O&M of the water and wastewater systems on the bases and a capital program. The replacement of assets assumed when a contract is awarded to the Company is funded from the contract fee. At times, new assets are required to support the base's mission. Construction of new assets are funded by the U.S. DoD as additional work under the contract. The capital program does not use the Company's equity or debt borrowings; however, some working capital is used to fund work-in-process until paid by the U.S. DoD. The contract price for nine of these contracts is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. Three of these contracts are subject to annual price adjustments under a mechanism similar to price redetermination, called "Economic Price Adjustment." During the contract term, we may make limited short-term working capital investments under our contracts with the U.S. DoD. All of these contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In either event, pursuant to termination provisions applicable to these contracts, we would be entitled to recover allowable costs that we may have incurred under the contract, plus the contract profit margin on incurred costs.

Homeowner Services Group

Our Homeowner Services Group, through our various protection programs, provides services to domestic homeowners and smaller commercial customers to protect against the cost of interior and external water and sewer line repairs, interior electric line repairs and other services. Our LineSaver™ program involves partnering with utilities, municipalities and other organizations to offer our protection programs to customers serviced by or affiliated with those municipalities and organizations. Terms of these partnership agreements are typically three to five years in length, with optional renewals. As of December 31, 2016, our Homeowner Services Group had approximately 1.7 million customer contracts in 43 states and the District of Columbia and 10 LineSaver™ partnership agreements with municipalities and other organizations.

Contract Operations Group

Our Contract Operations Group enters into public/private partnerships, including: (i) O&M; (ii) Design; Build and Operate; and (iii) Design, Build, Finance, Operate and Maintain contracts for the provision of services to water and wastewater facilities for municipalities, the food and beverage industry and other customers. Historically, we have made minimal long-term capital investment under these contracts; instead we perform our services for a fee. Occasionally, we provide our customers with financing for capital projects as part of a long-term O&M partnership. As of December 31, 2016, our Contract Operations Group had 43 contracts across the United States and Canada, varying in size and scope and ranging in length from one to 30 years.

Keystone

In July 2015, we acquired a ninety-five percent interest in Water Solutions Holdings, LLC, including its wholly owned subsidiary, Keystone Clearwater Solutions, LLC (collectively referred to as "Keystone"). Keystone is a water management solution company currently focused on exploration and production customers in the Appalachian Basin, as well as customers in the municipal water services market. Keystone primarily provides customized water sourcing, transfer, storage and transport services, along with pipeline construction services for natural gas exploration and production companies. Keystone operates under master service agreements that generally range from two to five years. When the initial term of these agreements expire, they typically renew automatically on an annual basis and generally are cancelable by either party with 30 days prior notice. As of December 31, 2016, Keystone serves 58 customers.

Competition

We face competition in our Market-Based Businesses from a number of service providers, including Veolia Environnement S.A., American States Water Company, Operations Management International, Inc. and Southwest Water Company, particularly in the area of O&M contracting. Securing new O&M contracts is highly competitive, as these contracts are awarded based on a combination of customer relationships, service levels, competitive pricing, references and technical expertise. We also face competition in maintaining existing O&M contracts to which we are a party, as the municipal and industrial fixed term contracts frequently come up for renegotiation and are subject to an open bidding process. Our Homeowner Services Group faces competition primarily from HomeServe USA, Pivotal Home Solutions (owned by Southern Company Gas) and Dominion Energy Solutions. Keystone currently faces competition from water service providers that typically provide particular segments of the water management cycle, such as Rockwater Energy Solutions, Rain for Rent and Fluid Delivery Solutions, LLC.

Industry and Regulatory Matters

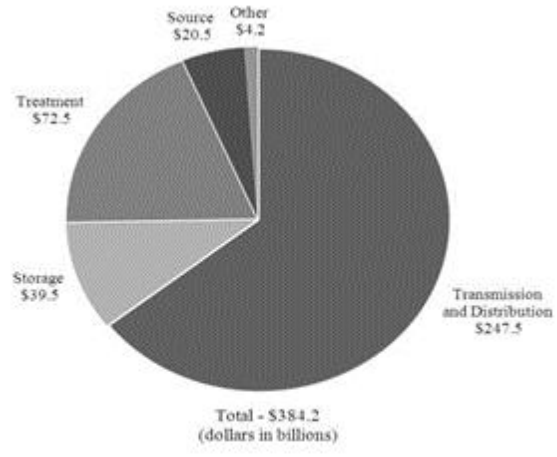
Overview

The United States water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. Both industries are highly fragmented. The U.S. Environmental Protection Agency (the "EPA") estimates that approximately 84% of the United States water market is served by municipal systems and approximately 98% of the country's wastewater systems are government owned. According to the EPA, there are approximately 50,000 community water systems and approximately 20,000 community wastewater systems in the United States. Over half of the community water systems are very small, serving a population of 500 or less.

This large number of relatively small, fragmented water systems and wastewater systems may result in inefficiencies in the marketplace, since such utilities may not have the operating expertise, financial and technological capability or economies of scale to provide services or raise capital as efficiently as larger utilities. Larger utilities that have greater access to capital are generally more capable of making mandated and other necessary infrastructure upgrades to both water and wastewater systems. In addition, water and wastewater utilities with large customer bases, spread across broad geographic regions, may more easily absorb the impact of significant variations in precipitation and temperatures, such as droughts, excessive rain and cool temperatures in specific areas. Larger utilities generally are able to spread support services over a larger customer base, thereby reducing the costs to serve each customer. Since many administrative and support activities can be efficiently centralized to gain economies of scale, companies that participate in industry consolidation have the potential to improve operating efficiencies, lower costs per unit and improve service at the same time.

The aging water and wastewater infrastructure in the United States is in need of modernization and replacement. Increased regulations to improve water quality and the management of water and wastewater residuals' discharges, which began with passage of the Clean Water Act in 1972 and the Safe Drinking Water Act in 1974, have been among the primary drivers of the need for modernization. In 2011, the EPA estimated that the nation's drinking water utilities needed $384.2 billion in infrastructure investments between 2011 and 2030, for thousands of miles of pipe, treatment plants, storage tanks and other key assets, to ensure the public health, security and economic well-being of our cities, towns and communities. In the *Clean Watersheds Needs Survey 2012 Report to Congress,* the EPA also estimated that $271.0 billion of capital investments and would be necessary between 2012 and 2032, to meet the nation's wastewater and stormwater treatment and collection needs. Additionally, in 2013, the American Society of Civil Engineers ("ASCE") published its *Report Card for America's Infrastructure,* in which it gave the water and wastewater infrastructure a grade of "D" because much of the infrastructure is nearing the end of its useful life. The ASCE report concluded that there will be an investment gap between 2013 and 2020 of $84 billion for drinking water and wastewater infrastructure.

The following chart depicts estimated aggregate capital expenditure needs from 2011 through 2030 for United States drinking water systems:



Note: Numbers may not total due to rounding
Source: U.S. Environmental Protection Agency's 2011 Drinking Water Infrastructure Needs Survey and Assessment

Environmental, Health and Safety, and Water Quality Regulation

Our water and wastewater operations, including the services provided by both our Regulated Businesses and Market-Based Businesses, are subject to extensive U.S. federal, state and local laws and regulations, and in the case of our Canadian operations, Canadian laws and regulations governing the protection of the environment, health and safety, the quality of the water we deliver to our customers, water allocation rights and the manner in which we collect, treat, discharge, recycle and dispose of wastewater. These regulations include the Safe Drinking Water Act, the Clean Water Act and other U.S. federal, state, local and Canadian laws and regulations governing the provision of water and wastewater services, particularly with respect to the quality of water we distribute. We also are subject to various U.S. federal, state, local and Canadian laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. State PUCs also set conditions and standards for the water and wastewater services we deliver.

Environmental, health and safety, and water quality regulations are complex and change frequently. The overall trend has been that they have become increasingly stringent over time. As newer or stricter standards are introduced, our capital and operating costs could increase. We incur substantial costs associated with compliance with environmental, health and safety, and water quality regulation to which our operations are subject. In the past, our Regulated Businesses have generally been able to recover costs associated with compliance related to environmental, health and safety standards; however, this recovery is affected by regulatory lag and the corresponding uncertainties surrounding rate recovery. We estimate that we will make capital expenditures of $83 million during 2017 and $78 million during 2018 for environmental control facilities, which we define for this purpose as any project (or portion thereof) that involves the preservation of air, water or land.

We maintain an environmental program including responsible business practices, compliance with environmental laws and regulations, effective use of natural resources, and stewardship of biodiversity. We believe that our operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations. Water samples from across our water systems are analyzed on a regular basis for compliance with regulatory requirements. Across our Company, we conduct over one million water quality tests each year at our laboratory facilities and plant operations, including continuous on-line instrumentations such as monitoring turbidity levels, disinfectant residuals and adjustments to chemical treatment based on changes in incoming water. For 2016, we achieved a score of greater than 99% for drinking water compliance and according to the EPA's statistics, American Water's performance has been far better than the industry average over the last several years. In fact, in 2016, American Water systems were 21 times better than the industry average for compliance with drinking water requirements.

We participate in the Partnership for Safe Water, the EPA's voluntary program to meet more stringent goals for reducing microbial contaminants. With 69 of our 81 surface water plants receiving the program's "Director" award, which recognizes utilities that: (1) have completed a comprehensive self-assessment report, (2) created an action plan for continuous improvement and (3) produced high quality drinking water, we account for approximately one-third of the plants receiving such awards nationwide. In addition, 66 American Water surface water plants have received the "Five-Year Phase III" award, while 60 plants have been awarded the "Ten-Year Phase III" award. Additionally, 39 surface water plants received the "Fifteen-Year Phase III" award, which recognizes plants that have met the Director award status for 15 years. Further, nine surface water plants have been awarded the "Presidents" award, which recognizes treatment plants that achieve the Partnership's rigorous individual filter effluent turbidity standards.

Safe Drinking Water Act

The Federal Safe Drinking Water Act and regulations promulgated thereunder establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous naturally occurring and man-made chemical and microbial contaminants and radionuclides allowable in drinking water and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems which may be used for removing those contaminants and other requirements. Federal and state water quality requirements have become increasingly stringent, including increased water testing requirements, to reflect public health concerns. To date, the EPA has set standards for approximately 90 contaminants and indicators for drinking water.

The EPA Administrator has the authority to require monitoring for additional unregulated contaminants to help formulate the basis for future regulations. Many of our systems recently completed the process for monitoring 28 unregulated contaminants under the third round of the Unregulated Contaminant Monitoring Rule, and our laboratory and systems are preparing for the fourth round of testing expected to begin in 2018. There are thousands of other chemical compounds that are not regulated, many of which are lacking a testing methodology, occurrence data, health effects information and/or treatment technology. The process of developing new drinking water standards is long and complicated, but American Water actively participates with the EPA and other water industry groups by sharing its research and water quality operational knowledge.

To effect the removal or inactivation of microbial organisms, the EPA has promulgated various rules to improve the disinfection and filtration of drinking water and to reduce consumers' exposure to disinfectants and by-products of the disinfection process. In January 2006, the EPA promulgated the Long-term 2 Enhanced Surface Water Treatment Rule and the Stage 2 Disinfectants and Disinfection Byproduct Rule. In October 2006, the EPA finalized the Ground Water Rule, applicable to water systems providing water from underground sources. In July 2014, the State of California implemented a primary drinking water standard of 10 micrograms per liter for hexavalent chromium. In 2016, the revised Total Coliform Rule implemented a "find and fix" process where exceedance of bacterial trigger levels requires an assessment to correct any sanitary defects. We are in compliance with these standards. The EPA is actively considering regulations for a number of contaminants, including strontium, hexavalent chromium, fluoride, nitrosamines, perchlorate, some pharmaceuticals and certain volatile organic compounds. We do not anticipate that any such regulations, if enacted, will require implementation in 2017.

The EPA revised the monitoring and reporting requirements of the existing Lead and Copper Rule in 2007 and Congress enacted the Reduction of Lead in Drinking Water Act in January 2011 regarding the use and introduction into commerce of lead pipes, plumbing fittings or fixtures, solder and flux. However, the events in Flint, Michigan have highlighted attention on the occurrence of lead – primarily in building plumbing – and it is anticipated that the EPA will propose updated regulations in 2017. American Water's inventory of lead service lines is expected to be completed by the end of 2017. It is currently estimated that approximately 5% of our service lines contain lead. Our goal is to replace our lead service lines over approximately 10 years, at an estimated cost of $600 million to $1.2 billion. In cases where we are replacing an American Water owned lead service line, our standard approach will be to replace the company-owned portion and work with the customer to replace the customer-owned portion of the service line, all the way to the customer's home. Replacing the full service line is considered a best practice as advised by the Lead Service Line Replacement Collaborative, a collaborative of leading water industry organizations. We do not plan on replacing customer-owned lead service lines at locations where our portion of the service line does not contain lead or is not part of a main replacement project.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, we do not expect current requirements under the Safe Drinking Water Act and other similar laws to have a material impact on our operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates traditionally have been recognized by the state PUCs as appropriate for inclusion in establishing rates. As a result, we expect to recover the operating and capital costs resulting from these pending or future requirements.

Clean Water Act

The Federal Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to our wastewater collection systems, our operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA or implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of penalties, and persistent non-compliance could lead to significant penalties and compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on our operations. From time to time, discharge violations occur at our facilities, some of which result in fines. We do not expect any such violations or fines to have a material impact on our results of operations or financial condition.

Other Environmental, Health and Safety, and Water Quality Matters

Our operations also involve the use, storage and disposal of hazardous substances and wastes. For example, our water and wastewater treatment facilities store and use chlorine and other chemicals which generate wastes that require proper handling and disposal under applicable environmental requirements. We also could incur remedial costs in connection with any contamination relating to our operations or facilities or our off-site disposal of wastes. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as the owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although we are not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs. Our facilities and operations also are subject to requirements under the U.S. Occupational Safety and Health Act and are subject to inspections thereunder. For further information, see Item 1—Business—Research and Development.

Certain of our subsidiaries are involved in pending legal proceedings relating to environmental matters. Further description of these proceedings can be found in Item 3—Legal Proceedings.

Research and Development

We have a research and development program, which seeks to improve water quality and operational effectiveness in all areas of our business. Our research and development personnel are located in New Jersey and Illinois. In addition, our quality control and testing laboratory in Belleville, Illinois supports our research and development activities through testing and analysis.

We continue to collaborate with the EPA to achieve effective environmental, health and safety, and water quality regulation. This relationship includes sharing of our research and national water quality monitoring data in addition to our treatment and distribution system optimization research. Our engagement with the EPA provides us with early insight into emerging regulatory issues and initiatives, thereby allowing us to anticipate and to accommodate our future compliance requirements.

Approximately one-quarter of our research budget is funded by competitively awarded outside research grants. Such grants reduce the cost of research and allow collaboration with leading national and international researchers. In 2016, we spent $4 million, including $1 million funded by research grants. Spending, net of research grant funding, amounted to $3 million in 2015 and 2014.

We believe that continued research and development activities are critical for providing safe, reliable and affordable services, as well as maintaining our leadership position in the industry, which provides us with a competitive advantage as we seek additional business with new and existing customers.

Support Services

American Water Works Service Company, Inc. ("Service Company") is our wholly owned subsidiary that provides support and operational services for our operating subsidiaries. These services are provided predominantly to our Regulated Businesses under the terms of contracts with these subsidiaries that have been approved by state PUCs, where necessary. These services are also provided to our Market-Based Businesses organized under American Water Enterprises. They are only provided to Keystone upon its request. These services, which are provided at cost, may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, rates support, security, risk management, treasury, water quality and research and development. Service Company also operates two national customer service centers located in Alton, Illinois and Pensacola, Florida, which provide customer relations, operations and field service support to the Regulated Businesses. The services are provided at cost and enable our Regulated Businesses and Market-Based Businesses to fulfill their responsibilities in a more cost-effective manner.

Our security department provides oversight and policy guidance of physical and information security throughout our operations and is responsible for designing, implementing, monitoring and supporting active and effective physical, operational technology and IT security controls. Vulnerability assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for further capital investment in security for the facility. Operational technology and IT security controls are deployed or integrated as a preventative measure against unauthorized access to company information systems. These controls are aimed at assuring the continuity of business processes that are dependent upon automation; seek to ensure the integrity of our data; support regulatory and legislative compliance requirements; and aimed at maintaining safe and reliable service to our customers. We are in contact with U.S. federal, state and local law enforcement agencies to coordinate and improve the security of our water delivery systems and to safeguard our water supply.

Employee Matters

As of December 31, 2016, approximately 46% of our workforce is represented by unions. As of that date, we had 78 collective bargaining agreements in place with 17 different unions representing our unionized employees. Also, we have two collective bargaining agreements beyond expiration that affect approximately 100 employees, all of which are actively working under the terms of the existing agreements, and one collective bargaining agreement in its initial stage of renegotiation, affecting approximately 25 employees. During 2017, 35 of our collective bargaining agreements will expire in accordance with their terms.

Executive Officers

The following table summarizes the name, age, offices held and business experience for each of our executive officers, as of February 21, 2017:

Name	Age	Office and Experience
Susan N. Story	57	**President and Chief Executive Officer.** Ms. Story has served as President and Chief Executive Officer of the Company since May 2014. Ms. Story served as Senior Vice President and Chief Financial Officer of the Company from April 2013 until May 2014. Prior to joining American Water, she served as President and Chief Executive Officer of Southern Company Services, a subsidiary of Southern Company, from January 2011 until March 2013 and President and Chief Executive Officer of Gulf Power Company, also a subsidiary of Southern Company, from 2003 until December 2010. Since 2008, Ms. Story has served as a member of the board of directors of Raymond James Financial, Inc., a diversified financial services company, and as lead director since 2016. On January 24, 2017, Ms. Story was elected to the board of directors of Dominion Resources, Inc., a producer and transporter of energy.
Deborah A. Degillio	45	**President, American Water Enterprises.** Ms. Degillio has been President of American Water Enterprises since May 2016. From January 2015 to May 2016, Ms. Degillio served as the Company's Vice President and Treasurer. Prior to that time, Ms. Degillio served as Vice President of Finance of American Water Enterprises from November 2013 to February 2015, as a Vice President in the Company's Finance team for its Eastern Division from June 2009 until October 2013, and as Director of Financial Planning and Analysis for American Water's then Western states, from April 2007 until May 2009.
Jennifer Gambol	41	**Vice President and Treasurer.** Ms. Gambol has served as the Company's Vice President and Treasurer since May 2016. From February 2015 to May 2016, Ms. Gambol served as Vice President of Finance of American Water Enterprises. Prior to joining the Company, Ms. Gambol served as Vice President, Finance and Investor Relations of The J.G. Wentworth Company, a diversified financial services company focused on direct-to-consumer financing, since July 2012. From May 2003 to July 2012, Ms. Gambol held various finance, accounting and financial reporting roles at E.I. du Pont de Nemours and Company.
Brenda J. Holdnak	63	**Senior Vice President of Human Resources.** Dr. Holdnak has served as the Company's Senior Vice President Human Resources since January 1, 2016 and its Vice President Human Resources from January 19, 2015 to December 31, 2015. Prior to joining American Water, she served as President of Holdnak and Associates Consulting, a human resources consulting firm, from June 2014 to December 2014. Prior to that time, she served as Director of Talent Management of The Babcock & Wilcox Company, from March 2011 to June 2014. Previously, she served as Director of Change Management and Organizational Development of Medtronic, Inc. from May 2010 to March 2011 and an Executive Consultant/Principal of the Henly Consulting Group from July 2006 to January 2011. Dr. Holdnak has announced her retirement from the Company effective March 1, 2017.
Walter J. Lynch	54	**Executive Vice President and Chief Operating Officer.** Mr. Lynch has over 20 years of experience in the water and wastewater industry. Mr. Lynch has served as the Company's Executive Vice President and Chief Operating Officer since January 1, 2016, as Chief Operating Officer of Regulated Operations from February 26, 2010 to December 31, 2015, and President of Regulated Operations from July 2008 to December 31, 2015. Mr. Lynch joined us in 2001. In addition, Mr. Lynch is on the Board of Directors of the National Association of Water Companies and serves on its Executive Committee.
Michael A. Sgro	58	**Executive Vice President, General Counsel and Secretary.** Mr. Sgro has over 20 years of experience in the water and wastewater industry. He has served as the Company's Executive Vice President, General Counsel and Secretary since January 1, 2016 and its Senior Vice President, General Counsel and Secretary from February 2015 to January 2016. Prior to that, he served as the Company's Interim General Counsel and Secretary from January 2015 until February 2015 and as Vice President, General Counsel and Secretary of American Water's Northeast Division beginning in 2002.
Mark F. Strauss	65	**Senior Vice President of Corporate Strategy and Business Development.** Mr. Strauss has been our Senior Vice President of Corporate Strategy and Business Development since September 2010. From December 2006 to September 2010, Mr. Strauss served as President of American Water Enterprises. In January 2016, Mr. Strauss was appointed to the Board of Directors of Fulton Financial Corporation, a Lancaster, Pennsylvania-based financial holding company, and Fulton Bank of New Jersey, its wholly owned bank subsidiary.
Linda G. Sullivan	53	**Executive Vice President and Chief Financial Officer.** Ms. Sullivan has served as the Company's Executive Vice President and Chief Financial Officer since January 1, 2016 and the Company's Senior Vice President and Chief Financial Officer from May 2014 to December 31, 2015. Prior to joining American Water, Ms. Sullivan served as the Senior Vice President and Chief Financial Officer of Southern California Edison Company, a subsidiary of Edison International, from July 2009 until May 2014, and Vice President and Controller of both Edison International and Southern California Edison Company, from July 2004 until July 2009. Ms. Sullivan is a Certified Public Accountant (inactive) and a Certified Management Accountant. In addition, Ms. Sullivan serves on the board of directors of University of Maryland University College Ventures and serves on its Audit & Finance Committee.
Loyd "Aldie" Warnock	57	**Senior Vice President of External Affairs, Communications and Public Policy.** Mr. Warnock has served as the Company's Senior Vice President of External Affairs, Communications and Public Policy since April 2014. Prior to joining the Company, he served as Senior Vice President of External Affairs at Midwest Independent System Operator, Inc., a non-profit, self-governing organization, from March 2011 to April 2014. Prior to that, he served as Vice President of External Affairs for Allegheny Energy, Inc. from December 2005 to February 2011 and Senior Vice President of Governmental and Regulatory Affairs at Mirant Corporation from July 2004 to November 2005.
Melissa K. Wikle	51	**Vice President and Controller.** Ms. Wikle joined the Company in July 2016 as its Vice President and Controller, and assumed the duties of the Company's principal accounting officer in August 2016. Prior to joining the Company, Ms. Wikle served as Corporate Controller and Chief Accounting Officer of Columbus McKinnon Corporation, a publicly-traded worldwide designer, manufacturer and marketer of material handling products, systems and services, since April 2011. Ms. Wikle is a Certified Public Accountant.

Each executive officer is elected annually by the Board of Directors and serves until his or her respective successor has been elected and qualified or his or her earlier death, resignation or removal.

Available Information

We are subject to the reporting requirements of the Exchange Act. We file or furnish annual, quarterly and current reports, proxy statements and other information with the SEC. You may obtain a copy of our annual reports on Form 10-K, our quarterly reports on Form 10-Q or our current reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Investor Relations section of our website, *https://amwater.com,* as soon as reasonably practicable after we file or furnish the information to the SEC. Information contained on our website shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. We recognize this website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with our disclosure obligations under SEC Regulation FD.

The American Water corporate governance guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding our corporate governance, are available on our website, *https://amwater.com,* and will be made available, without charge, in print to any stockholder who requests such documents from our Investor Relations Department, American Water Works Company, Inc., 1025 Laurel Oak Road, Voorhees, NJ, 08043.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Form 10-K, the following factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our utility operations are subject to extensive economic regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our utility operations also may be subject to fines, penalties and other sanctions for the inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to economic regulation by state PUCs. Economic regulation affects the rates we charge our customers and has a significant impact on our business and results of operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request to an extent that is sufficient to:

- cover our expenses, including purchased water and costs of chemicals, fuel and other commodities used in our operations;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval of the PUCs is also required in connection with other aspects of our utilities' operations. State PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Our utilities are also required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if rates are sufficient, we face the risk that we will not achieve the rates of return on our invested capital to the extent permitted by state PUCs. This could occur if certain conditions exist, including but not limited to, if water usage is less than the level anticipated in establishing rates, or if our investments or expenses prove to be higher than the level estimated in establishing rates.

Our operations and the quality of water we supply are subject to extensive environmental, water quality and health and safety laws and regulations. Compliance with increasingly stringent laws and regulations could impact our operating costs; and violations of such laws and regulations could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our water and wastewater operations and the operations of our Market-Based Businesses are subject to extensive federal, state and local laws and regulations and, in the case of our Canadian operations, Canadian laws and regulations that govern the protection of the environment, health and safety, the quality of the water we deliver to our customers, water allocation rights, and the manner in which we collect, treat, discharge and dispose of wastewater. These requirements include CERCLA, the Clean Water Act and the Safe Drinking Water Act, and similar state and Canadian laws and regulations. For example, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

In addition, state PUCs also set conditions and standards for the water and wastewater services we deliver. If we deliver water or wastewater services to our customers that do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves supplying water for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations, and their enforcement, generally have become more stringent over time, and new or stricter requirements could increase our costs. Although we may seek to recover ongoing compliance costs in our rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity.

We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination at our properties, including potential spills of hazardous chemicals, such as chlorine, which we use to treat water, or at off-site locations where we have disposed of waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to emerging contaminants, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of emerging contaminants include, but are not limited to, newly created chemical compounds (including, for example, perfluorinated compounds and manufactured nanomaterials); human and veterinary products; microbes, viruses, amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants. Our role is to meet or surpass those standards, when established. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for an emerging contaminant in the absence of a regulatory standard. Furthermore, while we seek to protect our drinking water from these contaminants by implementing multi-step treatment processes, reviewing research on these contaminants, and developing appropriate mitigation techniques for new contaminants where feasible or appropriate, given the rapid pace at which emerging contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe emerging contaminants may form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies as a result of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams and groundwater aquifers, are held in the public trust and are not owned by private interests. As a result, we typically do not own the water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities. Passing-flow requirements set minimum volumes of water that must pass through specified water sources, such as rivers and streams, in order to maintain environmental habitats and meet water allocation rights of downstream users. Allocation rights are imposed to ensure sustainability of major water sources and passing-flow requirements are most often imposed on source waters from smaller rivers, lakes and streams. These requirements, which can change from time to time, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, or other factors may limit the availability of ground and surface water.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with an October 20, 2009 cease and desist order (the "2009 Order"), as amended by an order in July 2016 (the "2016 Order"), of the SWRCB that requires Cal Am to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule which was extended to December 31, 2021 (the "2021 Deadline"). We are also required to augment our Monterey County sources of water supply to comply with the requirements of the Endangered Species Act. We cannot predict whether Cal Am will be able to secure alternative sources of water, or if Cal Am will be exposed to liabilities if it is unable to meet the 2021 Deadline under the 2009 Order and the 2016 Order. If Cal Am or any of our other subsidiaries are unable to secure an alternative source of water, or if other adverse consequences result from the events described above, our business, financial condition, results of operations and cash flows could be adversely affected. See Item 3—Legal Proceedings in this report, which includes additional information regarding this matter.

The current regulatory rate setting process may result in a significant delay, also known as "regulatory lag," from the time that we invest in infrastructure improvements, incur increased operating expenses or experience declining water usage, to the time at which we can seek to address these events in rate case applications; our inability to minimize regulatory lag could adversely affect our business.

There is typically a delay, known as "regulatory lag," between the time one of our regulated subsidiaries makes a capital investment or incurs an operating expense increase and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water usage in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to reduce this regulatory lag could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to reduce regulatory lag by pursuing constructive regulatory policies. For example, eight state PUCs permit rates to be adjusted outside of the rate case application process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC approved rates. Furthermore, in setting rates, a number of state PUCs allow us to use future test years, which extend beyond the date a rate request is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such programs include states that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or power, conservation, chemical or other expenditures. These surcharge mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under the rate case application process. While these programs have reduced regulatory lag in several of our regulated states, we continue to seek expansion of programs to reduce regulatory lag in those jurisdictions that have not approved such programs. Furthermore, PUCs may fail to adopt new surcharge programs and existing programs may not continue in their current form, or at all. Although we intend to continue our efforts to expand state PUC approval of surcharges to address issues of regulatory lag, our efforts may not be successful, or even if successful they may not completely address our regulatory lag, in which case our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations and changes in certain agreements can significantly affect our business, financial condition, results of operations, cash flows and liquidity.

New legislation, regulations, government policies or court decisions can materially affect our operations. The individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes in the individuals who serve as regulators and the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to raise our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets or issue securities, or making it less cost-effective for us to do so;
- negatively impacting the deductibility of expenses under federal or state tax laws, the amount of tax credits or tax abatement benefits that may be available, the amount of taxes owed, or the ability to utilize our net operating loss carryforwards;
- changing regulations that affect the benefits we expected to receive when we began offering services in a particular area;
- increasing the costs associated with complying with environmental, health, safety and water quality regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via eminent domain;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of the certificates of public convenience and necessity (or similar authorizations) issued to us by state PUCs.

Any of the foregoing consequences could have an adverse effect on our business, financial condition, results of operations, cash flows and liquidity.

Furthermore, the results of the November 2016 Federal, state and local elections have generated some uncertainty as to certain future new or changes in existing laws, rules or regulations, or administrative interpretations thereof. At this time, we are unable to determine or predict the potential impacts, if any, of such new or amended laws, rules or regulations, or interpretations thereof, to the extent they may be ultimately enacted, adopted or issued, on us or our businesses, financial condition and results of operations.

Service disruptions caused by severe weather conditions or natural disasters may disrupt our operations and economic conditions may reduce the demand for water services, either of which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather and other natural events are possible across all our businesses. These include storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, severe electrical storms and solar flares. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. In addition, adverse economic conditions can cause our customers, particularly industrial customers, to curtail operations. A curtailment of operations by an industrial customer would typically result in reduced water usage. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions could adversely affect our financial condition and results of operations.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal drought conditions that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. As examples, drought conditions have persisted in California over a five-year period, and, more recently, have been declared in New Jersey. In May 2016, the Governor of California issued an executive order that retained existing water use restrictions, but required state agencies to adjust, among other things, water conservation regulations through the end of January 2017 to account for differentiation in water supply conditions throughout the state, to adopt new water use targets as part of a permanent framework for urban water usage and conservation, to prohibit permanently practices that waste potable water and to direct actions that minimize significant water system leaks. Moreover, in October 2016, a drought warning was declared in 14 northern and central New Jersey counties by the New Jersey Department of Environmental Protection, and while mandatory use restrictions have not presently been adopted, residents, business and other institutions in the affected areas have been urged to use water sparingly. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot assure that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after drought restrictions are repealed and the drought has ended, which could adversely affect our business, financial condition, results of operations and cash flows.

Some scientific experts are predicting a worsening of weather volatility in the future. Changing severe weather patterns could require additional expenditures to reduce the risk associated with any increasing storm, flood and drought occurrences. The issue of climate change is receiving increased attention worldwide. Many climate change predictions, if true, present several potential challenges to water and wastewater utilities, such as: increased frequency and duration of droughts, increased precipitation and flooding, potential degradation of water quality, and changes in demand for services. Because of the uncertainty of weather volatility related to climate change, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment. In 2016, we invested $1.3 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems could increase in the future. We expect to fund capital improvement projects using cash generated from operations, borrowings under our revolving credit facility and commercial paper programs and issuances of long-term debt. We may not be able to access the debt and equity capital markets, when necessary or desirable to fund capital improvements on favorable terms or at all.

In addition, we could be limited in our ability to both pursue growth and pay dividends in accordance with our dividend policy. In order to fund construction expenditures, acquisitions, principal and interest payments on our indebtedness, and dividends at the level currently anticipated under our dividend policy, we expect that we will need additional financing.

The ability to obtain financing at reasonable rates is contingent upon our credit ratings and general market conditions. If we do not obtain sufficient financing, we could be unable to maintain our existing property, plant and equipment, fund our capital investment strategies, meet our growth targets and expand our rate base to enable us to earn satisfactory future returns on our investments. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, or other obstacles. Each of these outcomes could adversely affect our financial condition, results of operations and cash flows.

Weather conditions could adversely affect demand for our water service and our revenues.

Demand for our water during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, demand tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the demand for our water may decrease and adversely affect our revenues.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve significant environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Moreover, if we are deemed liable for any damage caused by overflow or disposal operations, our losses might not be covered by insurance, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

Contamination of our sources of water or water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reduction in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, are subject to contamination, including, by among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from man-made sources (such as perchlorate, methyl tertiary butyl ether, lead and other materials, chemical spills or other accidents that result in contaminants entering the water source), and possible terrorist attacks. In addition, new categories of these substances continue to emerge in the water treatment industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) continuing limited use of the water supply under a “Do Not Use” protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through expansion of our current treatment facilities, or development of new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms. Any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies.

In this regard, on January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances into the Elk River near the West Virginia-American Water Company (“WVAWC”) treatment plant intake in Charleston, West Virginia. On October 31, 2016, the U.S. District Court for the Southern District of West Virginia approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle claims arising out the Freedom Industries chemical spill (the “Settlement”). Under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia for the amounts paid by WVAWC, net of insurance recoveries, under the Settlement. See Item 3—Legal Proceedings, which includes additional information regarding this matter.

Since we engage in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, can result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances in the water or water supplies. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are not insured.

We maintain insurance coverage as part of our overall legal and risk management strategy to minimize potential liabilities arising from our utility operations, as well as the operations of our Market-Based Businesses. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker’s compensation, employer’s liability, general liability, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage or for which we are not insured.

Although in the past we have been generally able to cover our insurance needs, there can be no assurances that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or other sanctions.

Water and wastewater utilities, including our regulated subsidiaries, have a large customer base and as a result are exposed to public criticism regarding, among other things, the reliability of their water and wastewater services, the quality of water provided, and the amount, timeliness, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view companies such American Water and its regulated subsidiaries in a favorable light, and may cause American Water and its regulated subsidiaries to be susceptible to less favorable legislative and regulatory outcomes, as well as increased regulatory oversight and more stringent regulatory requirements. Unfavorable regulatory outcomes may include the enactment of more stringent laws and regulations governing our operations, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on American Water and each of our regulated subsidiaries' business, financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 80 dams, a failure of any of which could result in personal injury and downstream property damage for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases, the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes and storage systems located across the United States. A failure of major pipes or reservoirs could result in injuries and property damage for which we may be liable. The failure of major pipes and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems. Any further acquisitions we undertake may involve risks. Further, competition for acquisition opportunities from other regulated utilities, governmental entities, and strategic and financial buyers may hinder our ability to grow our business.

An important element of our growth strategy is the acquisition of water and wastewater systems in order to broaden our current, and move into new, service areas. We may not be able to acquire other businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. Further, competition for acquisition opportunities from other regulated utilities, governmental entities, and strategic and financial buyers may hinder our ability to expand our business.

The negotiation of potential acquisitions as well as the integration of acquired businesses with our existing operations could require us to incur significant costs and cause diversion of our management's time and resources. Future acquisitions by us could result in, among other things:

- incurrence or assumption of debt, contingent liabilities and environmental liabilities of or with respect to an acquired business, including liabilities that were unknown at the time of acquisition;
- failure to recover acquisition premiums;
- unanticipated capital expenditures;
- issuances of our equity securities;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly results;
- unanticipated acquisition-related expenses;
- failure to realize anticipated benefits, such as cost savings and revenue enhancements; and
- difficulties in assimilating personnel, benefits, services and systems.

Some or all of these items could have a material adverse effect on our business and our ability to finance our business, pay dividends and to comply with regulatory requirements. The businesses we acquire in the future may not achieve anticipated sales and profitability, and any difficulties we encounter in the integration process could interfere with our operations, reduce our operating margins and adversely affect our internal control over financial reporting.

We compete with governmental entities, other regulated utilities, and strategic and financial buyers, for acquisition opportunities. If consolidation becomes more prevalent in the water and wastewater industries and competition for acquisitions increases, the prices for suitable acquisition candidates may increase to unacceptable levels and limit our ability to expand through acquisitions. In addition, our competitors may impede our growth by purchasing water utilities adjacent to or near our existing service areas, thereby impairing our ability to geographically expand the affected service areas. Competing governmental entities, utilities, environmental or social activist groups, and strategic and financial buyers have challenged, and may in the future challenge, our efforts to acquire new companies and/or service areas. Our growth could be hindered if we are not able to compete effectively for new companies and/or service areas with other companies or strategic and financial buyers that have lower costs of operations. Any of these risks may adversely affect our business, financial condition, results of operations and cash flows.

The assets of our Regulated Businesses are subject to condemnation through eminent domain or other similar authorized process.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. Should a municipality or other government subdivision or a citizen group seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition, we may resist the acquisition.

Contesting an exercise of condemnation through eminent domain or other process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management of the affected Regulated Business from the operation of its business. Moreover, our efforts to resist the condemnation or process may not be successful.

If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant one-time charges.

We rely on technology systems to facilitate the management of our business and customer and supplier relationships, and a disruption of these systems could adversely affect our business.

Our technology systems, particularly our operational technology and IT systems, are an integral part of our business, and any disruption of these systems could significantly limit our ability to manage and operate our business efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. For example, we depend on these systems to bill customers, process orders, provide customer service, manage certain plant operations and construction projects, manage our financial records, track assets, remotely monitor certain of our plants and facilities and manage human resources, inventory and accounts receivable collections. These systems also enable us to purchase products from our suppliers and bill customers on a timely basis, maintain cost-effective operations and provide service to our customers. While we continue to implement, upgrade and replace our operational technology and IT systems, a number of our mission- and business-critical IT systems are older, such as our SCADA (supervisory control and data acquisition) system.

Although we do not believe that these systems are at a materially greater risk of failure or cybersecurity incidents than other similar organizations, our operational technology and IT systems remain vulnerable to damage or interruption from:

- power loss, computer systems failures, and internet, telecommunications or data network failures;
- operator negligence or improper operation by, or supervision of, employees;
- physical and electronic loss of customer data due to security breaches, cyber attacks, misappropriation and similar events;
- computer viruses;
- intentional security breaches, hacking, denial of services actions, misappropriation of data and similar events; and
- hurricanes, tornadoes, fires, floods, earthquakes and other natural disasters.

These events may result in physical and electronic loss of customer or financial data, security breaches, misappropriation and other adverse consequences. In addition, a lack of or inadequate levels of redundancy for certain of these systems, including billing systems, could exacerbate the impact of any of these events on us. We may not be successful in developing or acquiring technology that is competitive and responsive to the needs of our business, and we might lack sufficient resources to make the necessary upgrades or replacements of outdated existing technology to enable us to continue to operate at our current level of efficiency.

We may be subject to physical and/or cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and/or cyber attacks. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber acts of war or terrorism, vandalism or other causes. Our operational technology and IT systems may be vulnerable to unauthorized access due to hacking, viruses, acts of war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our customers, employees, suppliers and other third parties. While we have instituted certain safeguards to protect our operational technology and IT systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, we could have our operations disrupted, property damaged, and customer and other confidential information stolen; experience substantial loss of revenues, response costs, and other financial loss; and be subject to increased regulation, litigation, and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs.

In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that could be targets of cyber attacks. Any theft, loss and/or fraudulent use of customer, employee or proprietary data as a result of a cyber attack could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

Our inability to efficiently upgrade and improve our operational technology and IT systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management’s time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees’ ability to effectively use the new or upgraded system. Over the past several years,

we have implemented, and have recently implemented with respect to our American Water Enterprises business, improvements to our business processes, and have installed new, and upgraded existing, technology systems. These efforts support our broader strategic initiatives and are intended to optimize workflow, improve our operations and enhance our customer service capabilities. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties consolidating our current systems and implementing new or upgraded systems together with existing systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Our business has inherently dangerous workplaces. If we fail to maintain safe work sites, we can be exposed to not only people impacts but also to financial losses such as penalties and other liabilities.

Our safety record is critical to our reputation. We maintain health and safety standards to protect our employees, customers, vendors and the public. Although we intend to adhere to such health and safety standards and aim for zero injuries, it is extremely difficult to avoid accidents at all times.

Our business sites, including construction and maintenance sites, often put our employees and others in close proximity with large pieces of equipment, moving vehicles, pressurized water, underground trenches and vaults, chemicals and other regulated materials. On many sites we are responsible for safety and, accordingly, must implement safety procedures. If we fail to implement such procedures or if the procedures we implement are ineffective or are not followed by our employees or others, our employees and others may be injured or die. Unsafe work sites also have the potential to increase employee turnover and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the handling and storage of hazardous chemicals, which, if improperly handled, stored or disposed of, could subject us to penalties or other liabilities. We are also subject to regulations dealing with occupational health and safety. Although we maintain functional employee groups whose primary purpose is to ensure we implement effective health, safety, and environmental work procedures throughout our organization, including construction sites and maintenance sites, the failure to comply with such regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations.

As of December 31, 2016, approximately 46% of our workforce was represented by unions, and we had 78 collective bargaining agreements in place with 17 different unions representing our unionized employees. These collective bargaining agreements, including three which expired in 2016, and 15 which will expire during 2017, are subject to periodic renewal and renegotiation. We may not be able to renegotiate labor contracts on terms that are fair to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may adversely affect our financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Our continued success is dependent upon our ability to hire, retain, and utilize qualified personnel.

The success of our business is dependent upon our ability to hire, retain, and utilize qualified personnel, including engineers, licensed operators, water quality and other operating and craft personnel, and management professionals who have the required experience and expertise. From time to time, it may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded for our business needs. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire and retain qualified personnel.

In addition, as some of our key personnel approach retirement age, we need to have appropriate succession plans in place and to successfully implement such plans. If we cannot attract and retain qualified personnel or effectively implement appropriate succession plans, it could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Financial and Market-Related Risks

Our indebtedness could affect our business adversely and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2016, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $7.2 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

In order to meet our capital expenditure needs, we may be required to make additional borrowings under our revolving credit facility or issue new short-term and long-term debt securities. Moreover, additional borrowings may be required to refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2017, 2018 and 2019 will be $574 million, $457 million and $166 million, respectively. We can provide no assurance that we will be able to access the debt capital markets on favorable terms, if at all. Moreover, if new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to refinance existing debt on favorable terms.

In an attempt to manage our exposure to interest rate risk associated with our issuance of variable and fixed-rate debt, we have entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps, swaptions and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

We will depend primarily on cash flows from operations to fund our expenses and to pay the principal and interest on our outstanding debt. Therefore, our ability to pay our expenses and satisfy our debt service obligations depends on our future performance, which will be affected by financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other factors largely beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected adversely.

Our inability to access the capital or financial markets could affect our ability to meet our liquidity needs at reasonable cost and our ability to meet long-term commitments, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, we rely primarily on our revolving credit facility, commercial paper programs, and the capital markets to satisfy our liquidity needs. In this regard, our principal external sources of short-term liquidity are our $1.6 billion commercial paper program and our $1.75 billion revolving credit facility. Our revolving credit facility expires in accordance with its terms in June 2020. We regularly use our commercial paper program under this revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally can obtain in the commercial paper market. As of December 31, 2016, American Water Capital Corp. (“AWCC”), our wholly owned financing subsidiary, had no outstanding borrowings under the revolving credit facility, and had $849 million of commercial paper outstanding and $88 million in outstanding letters of credit.

Under the terms of our revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the credit facility. If our equity were to decline or debt were to increase to a level that caused our debt to exceed this limit, lenders under the credit facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt under the credit facility immediately due and payable. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility.

Our ability to comply with this and other covenants contained in the revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our stockholders to complete.

Disruptions in the capital markets could also limit our ability to access capital. While our credit facility lending banks have met all of their obligations, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. Our lenders may not meet their existing commitments and we may not be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under this facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Longer term disruptions in the capital and credit markets as a result of uncertainty, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the liquidity needed for our business. Any significant disruption in the capital and credit markets, or financial institution failures could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures.

Any impediments to our access to the capital markets or failure of our lenders to meet their commitments that result from financial market disruptions could expose us to increased interest expense, require us to institute cash conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity.

American Water may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds to American Water.

American Water is a holding company and, as such, American Water has no operations of its own. Substantially all of our consolidated assets are held by subsidiaries. American Water's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends to American Water or repay indebtedness to American Water. Prior to paying dividends to American Water, American Water's regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and covenants and other agreements made or entered into by American Water and its subsidiaries. American Water's subsidiaries are separate legal entities and have no obligation to pay dividends to American Water. A failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on American Water's liquidity and its ability to pay dividends on its common stock and meet its other obligations.

We may not be able to fully utilize our U.S. and state net operating loss carryforwards.

As of December 31, 2016, we had U.S. federal and state net operating loss ("NOL") carryforwards of approximately $1.2 billion and $625 million, respectively, and management believes these NOLs are more likely than not to be recovered in the future. Our federal NOL carryforwards will begin to expire in 2028, and our state NOL carryforwards will begin to expire in 2017 and will continue to expire through 2036. Our ability to utilize our NOL carryforwards is primarily dependent upon our ability to generate sufficient taxable income. We have, in the past, been unable to utilize certain of our NOLs, and the establishment or increase of a valuation allowance in the future would reduce our deferred income tax assets and our net income.

Our actual results may differ from those estimated by management in making its assessment as to our ability to use the NOL carryforwards. Moreover, changes in income tax laws, the economy and the general business environment could affect the future utilization of the NOL carryforwards. If we are unable to fully utilize our NOL carryforwards to offset taxable income generated in the future, our financial position, results of operations and cash flows could be materially adversely affected.

We have recorded a significant amount of goodwill, and we may never realize the full value of our intangible assets, causing us to record impairments that may negatively affect our results of operations.

Our total assets include $1.3 billion of goodwill at December 31, 2016. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003 and the acquisition of E'Town Corporation by a predecessor to our previous owner in 2001, and, to a lesser extent, the acquisition of Keystone in 2015. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, we have taken significant non-cash charges to operating results for goodwill impairments in the past.

We may be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance or the performance of an acquired business. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or, with respect to Keystone, fluctuations in the level of exploration and production activities in the Marcellus and Utica shale regions served by Keystone, a prolonged depression of natural gas prices or other factors that negatively impact our current or future forecasts of operating results, cash flows or key assumptions. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill would result in a charge to income in the period in which the impairment occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet expectations of our regulators.

Market conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations, which may cause investment returns to fall below our projected return rates. A decline in the market value of the pension and postretirement benefit plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. If interest rates decrease, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in demographics, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected.

In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that market data compels us to reduce the discount rate used in our assumptions, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flow and financial condition.

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flow and financial condition. We could be required to apply a new or revised standard retroactively, which could adversely affect our results of operations, cash flow and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. Such compliance permits us to, among other things, disclose and report financial and other information in connection with the recovery of our costs and with the reporting requirements under federal securities, tax and other laws and regulations.

We have implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and relevant SEC rules, as well as other applicable regulations. Such internal controls and policies have been and continue to be closely monitored by our management and Board of Directors to ensure continued compliance with these laws, rules and regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated and unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and noncompliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also increase financing costs or could also adversely affect our or AWCC's ability to access the capital markets.

Additional Risks Related to Our Market-Based Businesses

We (excluding our regulated subsidiaries) provide performance guarantees with respect to certain obligations of our Market-Based Businesses, including financial guarantees or deposits, to our public-sector and public clients, which may seek to enforce the guarantees if our Market-Based Businesses do not satisfy these obligations.

Under the terms of some of our agreements for the provision of services to water and wastewater facilities with municipalities, other governmental entities and other customers, American Water (excluding our regulated subsidiaries) provides guarantees of specified performance obligations of our Market-Based Businesses, including financial guarantees or deposits. In the event our Market-Based Businesses fail to perform these obligations, the entity holding the guarantees may seek to enforce the performance commitments against us or proceed against the deposit. In that event, our financial condition, results of operations, cash flows, and liquidity could be adversely affected.

At December 31, 2016, we had remaining performance commitments as measured by remaining contract revenue totaling approximately $3.9 billion, and this amount is likely to increase if our Market-Based Businesses expand. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

American Water Enterprises' operations are subject to various risks associated with doing business with the U.S. government.

We enter into contracts with the U.S. Department of Defense for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to redetermination two years after commencement of operations and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. Any early contract termination or unfavorable price redetermination could adversely affect our financial condition, results of operations and cash flows.

Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or barred from bidding on or receiving awards of new contracts with the U.S. government, which could have a material adverse effect on our results of operations and cash flows.

American Water Enterprises operates a number of water and wastewater systems under O&M contracts and faces the risk that the owners of those systems may fail to provide capital to properly maintain those systems, which may negatively affect American Water Enterprises as the operators of the systems.

American Water Enterprises operates a number of water and wastewater systems under O&M contracts. Pursuant to these contracts, American Water Enterprises operates the system according to the standards set forth in the applicable contract, and it is generally the responsibility of the owner of the system to undertake capital improvements. In some cases, American Water Enterprises may not be able to convince the owner to make needed improvements in order to maintain compliance with applicable regulations. Although violations and fines incurred by water and wastewater systems may be the responsibility of the owner of the system under these contracts, those non-compliance events may reflect poorly on American Water Enterprises as the operator of the system and us, and damage our reputation, and in some cases, may result in liability to us to the same extent as if we were the owner.

Our Market-Based Businesses are party to long-term contracts to operate and maintain water and wastewater systems under which we may incur costs in excess of payments received.

Some of our Market-Based Businesses enter into long-term contracts under which they agree to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities, which includes specified major maintenance for some of those facilities, in exchange for an annual fee. These Market-Based Businesses are generally subject to the risk that costs associated with operating and maintaining the facilities, including production costs such as purchased water, electricity, fuel and chemicals used in water treatment, may exceed the fees received from the municipality or other contracting party. Losses under these contracts or guarantees may adversely affect our financial condition, results of operations, cash flows and liquidity.

Keystone's operations may expose us to substantial costs and liabilities with respect to environmental laws and matters.

Keystone's operations, and the operation generally of natural gas and oil exploration and production facilities by Keystone's customers, are subject to stringent federal, state and local laws, rules, regulations and ordinances governing the release of materials into the environment or otherwise relating to environmental protection. These provisions may require the acquisition by Keystone of permits or licenses before providing its services to customers, prohibit the release of substances defined thereunder as hazardous in connection with these activities, and impose substantial liabilities for the violation thereof that may result from these operations. Failure to comply with these laws, rules, regulations and ordinances may result in substantial environmental remediation and other costs to Keystone, the assessment of administrative, civil and criminal penalties or the issuance of injunctions restricting or prohibiting certain activities. Under existing environmental laws and regulations, Keystone could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether the release resulted from its operations, or whether its operations were in compliance with all applicable laws at the time they were performed. While we have structured and maintained our ownership and control of Keystone's operations in such a way that we believe will insulate the Company, its regulated subsidiaries and its other Market-Based Businesses from any liabilities associated with Keystone's operations, including liabilities for environmental matters, there can be no assurance that such efforts will be sufficient to prevent the Company from incurring liability for the operations of Keystone.

Changes in environmental laws and regulations occur frequently, and any changes to these or other laws governing the natural gas and oil exploration industry that result in more stringent or costly water or wastewater handling, storage, transport, disposal or cleanup requirements could require Keystone to make significant expenditures to maintain compliance with such requirements, may harm Keystone's business and results of operations by reducing the demand for Keystone's water and related services, and may otherwise have a material adverse effect on Keystone's competitive position, financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our properties consist of transmission, distribution and collection pipes, water and wastewater treatment plants, pumping wells, tanks, meters, supply lines, dams, reservoirs, buildings, vehicles, land, easements, software rights and other facilities and equipment. Our properties are used for the operation of our systems, including the collection, treatment, storage and distribution of water, and the collection and treatment of wastewater. Substantially all of our properties are owned by our subsidiaries, and a substantial portion of our property is subject to liens of our mortgage bonds. We lease our corporate offices, equipment and furniture, located in Voorhees, New Jersey from certain of our wholly owned subsidiaries. These properties are utilized by our directors, officers and staff in the conduct of the business.

The properties of our Regulated Businesses segment primarily include 80 dams and 81 surface water treatment plants along with approximately 522 groundwater treatment plants, 1,022 groundwater wells, 121 wastewater treatment facilities, 1,284 treated water storage facilities, 1,433 pumping stations, and 49,635 miles of mains and collection pipes. We have ongoing infrastructure renewal programs in all states in which our Regulated Businesses segment operate. These programs consist of both rehabilitation of existing mains and other equipment and replacement of mains and other equipment that are damaged or have reached, or are near, the end of their useful service lives. The properties of our Market-Based Businesses consist mainly of office furniture and IT equipment and are primarily located in New Jersey. Approximately 51% of all properties that we own are located in New Jersey and Pennsylvania.

We maintain property insurance against loss or damage to our properties by fire or other perils, subject to certain exceptions. For insured losses, we are self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

We believe that our properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Alternative Water Supply in Lieu of Carmel River Diversions

Under the 2009 Order, Cal Am is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by a 1995 SWRCB order. On July 19, 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued an order (the "2016 Order") approving a five-year extension of the deadline to comply with the 2009 Order, to December 31, 2021. On November 29, 2016, the Water Ratepayers Association of the Monterey Peninsula, a citizens' advocacy group, filed an action in Sacramento County Superior Court against the SWRCB and its board members, and naming Cal Am as the real party in interest, seeking to reverse the extension of the 2009 Order, to rescind the designation by the California Public Utilities Commission (the "CPUC") of Cal Am as the public utility water provider to the Monterey Peninsula, and to appoint a receiver to oversee Cal Am's compliance with the 2009 Order, with ultimate transfer to a public entity. This lawsuit is pending.

Regional Desalination Project Litigation

The Regional Desalination Project (the "RDP") involved the construction of a desalination facility in the City of Marina, north of Monterey. The RDP was intended to, among other things, eliminate unauthorized diversions from the Carmel River as required under the 2009 Order. In December 2010, the CPUC approved the RDP, which was to be implemented through a Water Purchase Agreement and ancillary agreements (collectively, the "Agreements") among the Marina Coast Water District ("MCWD"), the MCWRA and Cal Am. In 2011, due to a conflict of interest concerning a former member of the MCWRA's Board of Directors, MCWRA stated that the Agreements were void, and, as a result, Cal Am terminated the Agreements. In April 2015, the CPUC approved a settlement agreement among Cal Am, MCWRA and the County of Monterey to resolve these matters among the parties signing the agreement. On March 23, 2016, the Supreme Court of California granted MCWD's petition for review of the CPUC approval. Action on the petition has been deferred pending consideration and disposition of a related issue in another case.

In October 2012, Cal Am filed a Complaint for Declaratory Relief against MCWRA and MCWD which was ultimately transferred to the San Francisco County Superior Court, seeking a determination as to whether the Agreements are void as a result of the alleged conflict of interest. In June 2015, the court entered a final judgment agreeing with Cal Am's position that four of the five Agreements are void, and one, the credit line agreement, is not void. On November 10, 2016, the Supreme Court of California denied MCWD's final appeal of this judgment, which allows further proceedings to determine the amount of damages that may be awarded in the proceeding.

In July 2015, Cal Am and MCWRA filed a Complaint in San Francisco County Superior Court against MCWD and RMC Water and Environment, a private engineering consulting firm ("RMC"), seeking to recover compensatory damages in excess of $10 million associated with the failure of the RDP, as well as punitive and treble damages, statutory penalties and attorneys' fees. Shortly thereafter, complaints seeking similar damages were filed in the same court by MCWD and RMC against Cal Am and MCWRA in excess of $19 million in the aggregate. In December 2015, the court consolidated all of these complaints into a single action, which remains pending.

Monterey Peninsula Water Supply Project

The Water Supply Project is intended to reduce water diversions from the Carmel River and involves construction of a desalination plant, owned by Cal Am, and purchase of water by Cal Am from the GWR Project. Cal Am's ability to move forward on the Water Supply Project is subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. On March 17, 2016, the CPUC's Energy Division issued a notice of further schedule delays for the Water Supply Project's environmental review, with environmental certification currently scheduled for completion in November 2017. On January 12, 2017, the CPUC issued a Draft Environmental Impact Report/Environmental Impact Statement.

On September 15, 2016, the CPUC unanimously approved a decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated costs, subject to meeting certain criteria. If construction costs exceed $50 million, Cal Am would be allowed to seek additional cost recovery.

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the California Coastal Commission (the "Coastal Commission") approved coastal development permits for the test slant well, enabling Cal Am to construct the portion that will be under state lands (beneath the ocean floor). In January 2015, Cal Am obtained from the California State Lands Commission (the "State Lands Commission") a required lease as to the state lands. In October 2015, the Coastal Commission approved an amendment to Cal Am's coastal development permits.

In December 2014, the MCWD and the Ag Land Trust, an agricultural land conservancy, filed petitions against the Coastal Commission and Cal Am, which were ultimately transferred to the Santa Cruz County Superior Court, seeking to vacate the Coastal Commission's approval of the coastal development permit and to permanently restrain Cal Am and the Coastal Commission from constructing the test slant well pending full compliance with the California Environmental Quality Act and the California Coastal Act. The court denied these petitions, and on January 11, 2017, the Supreme Court of California denied MCWD's petition for review of this decision. MCWD filed a similar petition in January 2015 against the State Lands Commission and Cal Am, which remains pending.

In November 2015, MCWD filed a Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief in Santa Cruz County Superior Court against the Coastal Commission and Cal Am challenging the amendment of the coastal development permits and seeking an injunction against further test well pumping. On September 15, 2016, the court denied MCWD's petition with respect to all claims, except claims related to those raised in the December 2014 petitions discussed above.

Based on the foregoing, Cal Am estimates that the earliest date by which the Water Supply Project desalination plant could be completed is sometime in 2019. There can be no assurance that Cal Am's application for the Water Supply Project will be approved or that the Water Supply Project will be completed on a timely basis, if ever. Furthermore, there can be no assurance that Cal Am will be able to comply with the diversion reduction requirements and other remaining requirements under the 2009 Order and the 2016 Order, or that any such compliance will not result in material additional costs or obligations to Cal Am or the Company.

West Virginia Elk River Freedom Industries Chemical Spill

Background

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol, or MCHM, and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the WVAWC treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection, WVAWC took immediate steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a "Do Not Use" order for all of its approximately 93,000 customer accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC's customers were subject to the Do Not Use order.

Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company-affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, 73 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. On January 28, 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed pending the negotiation by the parties and approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. On July 7, 2016, the court in the Federal action scheduled trial to begin on October 25, 2016, but the court delayed the start of the trial pending ongoing settlement negotiations between the parties and has since granted a continuance of the trial until March 21, 2017. The Mass Litigation Panel has also stayed its proceedings until May 1, 2017.

WVAWC Binding Global Agreement in Principle to Settle Claims

On October 31, 2016, the court in the Federal action approved the preliminary binding principles, terms and conditions of the Settlement among the American Water Defendants, and all class members, putative class members, claimants and potential claimants (collectively, the "Plaintiffs"), arising out of the Freedom Industries chemical spill. The terms of the Settlement propose a global federal and state resolution of all litigation and potential claims against the American Water Defendants and their insurers. A claimant may elect to opt out of any final settlement agreement, in which case such claimant will not receive any benefit from or be bound by the terms of the Settlement. Under the terms and conditions of the Settlement and any subsequent final settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved.

The proposed aggregate pre-tax amount of the Settlement is $126 million, of which $65 million would be contributed by WVAWC, and the remainder would be contributed by certain of the Company's general liability insurance carriers. The Company has general liability insurance under a series of policies underwritten by a number of individual carriers. Two of these insurance carriers, which provide an aggregate of $50 million in insurance coverage to the Company under these policies, were requested, but presently have not agreed, to participate in the Settlement. The Company and WVAWC are vigorously pursuing their rights to insurance coverage from these non-participating carriers for any contributions by WVAWC to the Settlement. In this regard, WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constitutes a breach of contract, and the Company is pursuing mandatory arbitration against the other non-participating carrier. Despite these efforts, the Company may not ultimately be successful in obtaining full or further reimbursement under these insurance policies for amounts that WVAWC may be required to contribute to the Settlement.

The preliminary terms of the Settlement intend to establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76 million, of which $51 million will be contributed by WVAWC, including insurance deductibles, and $25 million would be contributed by one of the Company's general liability insurance carriers, and (ii) an individual review claim fund of up to $50 million, of which up to $14 million would be contributed by WVAWC and $36 million would be contributed by a number of the Company's general liability insurance carriers. Separately, up to $25 million would be contributed to the guaranteed fund by another defendant to the Settlement.

As a result of these events, the Company recorded a charge to earnings, net of insurance receivables, of $65 million ($39 million after-tax) in the third quarter of 2016. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia for approximately $4 million in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The $36 million to be contributed by a number of the Company's general liability insurance carriers to the individual review claim fund, as noted above, is from higher layers of the insurance structure than the two insurance carriers that were requested, but presently have not agreed, to participate in the Settlement. Any recovery by WVAWC or the Company from the non-participating carriers would reimburse WVAWC for its contributions to the guaranteed fund.

Following the court's October 31 approval, the parties have continued to negotiate the details of the Settlement. If preliminary approval of the Settlement is obtained, notice of the terms of the Settlement would then be provided to members of the settlement class. Following the notice period, the court in the Federal action would hold a fairness hearing to consider final approval of the Settlement. There can be no assurance that the court in the Federal action will provide its approval as to any agreement negotiated between the parties reflecting the terms of the Settlement.

The American Water Defendants believe that WVAWC has responded appropriately to, and, other than through the Settlement, has no responsibility for, the Freedom Industries chemical spill, and that the American Water Defendants have valid, meritorious defenses to the lawsuits. Nevertheless, WVAWC and the Company are unable to predict the outcome of any lawsuit against the American Water Defendants brought or maintained by a claimant that elects to opt out of the Settlement, and any such outcome or outcomes could have a material adverse effect on the Company's financial condition, results of operations, cash flows, liquidity and reputation.

Other Related Investigations

Additionally, investigations with respect to the matter have been initiated by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the Public Service Commission of West Virginia (the "PSC"). As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act.

In May 2014, the PSC issued an Order initiating a General Investigation into certain matters relating to WVAWC's response to the Freedom Industries chemical spill. Three parties intervened in the proceeding, including the Consumer Advocate Division of the PSC and two attorney-sponsored groups, including one sponsored by some of the plaintiffs' counsel involved in the civil litigation described above. On January 26, 2017, WVAWC and the other parties agreed to resolve the General Investigation and filed a joint stipulation with the PSC containing the terms of the settlement. The parties to the joint stipulation filed a proposed order with the PSC on February 8, 2017.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. On September 28, 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. The Company provided written comments to the CSB's report suggesting that the recommendation made to the Company would be better directed to the EPA in order to promote industry-wide implementation of the CSB's recommendation. On February 15, 2017, the Company filed its response to the CSB's recommendation. The CSB has indicated that it may consider issuing a supplemental report on the Freedom Industries chemical spill.

WVAWC and the Company are unable to predict the outcome of the ongoing government investigations or any legislative initiatives that might affect WVAWC's water utility operations.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations, and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 23, 2008, our common stock has traded on the NYSE under the symbol "AWK." The following table summarizes the per share range of the high and low intraday sales prices of our common stock as reported on the NYSE and the per share cash dividends paid and declared for the years ended December 31, 2016 and 2015:

	Intraday Market Prices			
2016	High	Low	Per Share Dividends Paid	Per Share Dividends Declared
Fourth Quarter	$ 76.12	$ 69.41	$ 0.375	$ 0.75
Third Quarter	85.24	72.12	0.375	0.375
Second Quarter	84.54	68.09	0.375	0.375
First Quarter	70.10	58.90	0.34	—

	Intraday Market Prices			
2015	High	Low	Per Share Dividends Paid	Per Share Dividends Declared
Fourth Quarter	$ 61.20	$ 54.62	$ 0.34	$ 0.68
Third Quarter	55.63	48.52	0.34	0.34
Second Quarter	55.67	48.36	0.34	0.34
First Quarter	57.48	51.84	0.31	—

As of February 16, 2017, there were 178,214,748 shares of common stock outstanding held by approximately 2,608 record holders. Holders of our common stock are entitled to receive dividends when they are declared by the Board of Directors. When dividends on common stock are declared, they are typically paid in March, June, September and December. Future dividends are not guaranteed by the Company and will be dependent on future earnings, financial requirements, contractual provisions of debt agreements and other relevant factors. For more information regarding restrictions on the payment of dividends on our common stock, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends.

In February 2015, the Board of Directors authorized an anti-dilutive common stock repurchase program to mitigate the dilutive effect of shares issued through our dividend reinvestment, employee stock purchase and executive compensation activities. The program allows us to purchase up to 10 million shares of our outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and to facilitate these repurchases, we enter into Rule 10b5-1 share repurchase plans with a third party broker, which allow us to repurchase shares at times when we may otherwise be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, we may elect to amend or cancel the program or share repurchase parameters at our discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2016, the Company repurchased an aggregate of 3,250,000 shares of common stock under the program, including 1,000,000 shares repurchased during the first half of 2016. There were no repurchases of common stock in the last half of 2016.

On November 17, 2016, 19,629 shares of common stock were issued by the Company in a transaction not involving a public offering of securities, which transaction was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof. The shares were issued to one holder as consideration for assets acquired and liabilities assumed by Cal Am.

ITEM 6. SELECTED FINANCIAL DATA

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
	(In millions, except per share data)				
Statement of Operations Data:					
Operating revenues	$ 3,302	$ 3,159	$ 3,011	$ 2,879	$ 2,854
Income from continuing operations	$ 468	$ 476	$ 430	$ 371	$ 374
Income from continuing operations per basic common share	$ 2.63	$ 2.66	$ 2.40	$ 2.08	$ 2.12
Income from continuing operations per diluted common share	$ 2.62	$ 2.64	$ 2.39	$ 2.07	$ 2.10
Balance Sheet Data:					
Total assets (a) (b)	$ 18,482	$ 17,241	$ 16,038	$ 15,064	$ 14,713
Long-term debt and redeemable preferred stock at redemption value (a)	$ 5,759	$ 5,874	$ 5,442	$ 5,225	$ 5,203
Other Data:					
Aggregate dividends declared per common share	$ 1.50	$ 1.36	$ 1.24	$ 1.12	$ 0.98
Cash flows provided by operating activities	$ 1,276	$ 1,179	$ 1,097	$ 896	$ 956
Capital expenditures included in cash flows used in investing activities	$ (1,311)	$ (1,160)	$ (956)	$ (980)	$ (929)

NOTE: In November 2014, we disposed of our Class B Biosolids operating segment by selling our subsidiary, Terratec Environmental Ltd ("Terratec") in Ontario, Canada. The results of Terratec are presented as discontinued operations and, as such, have been excluded from continuing operations for the years ended December 31, 2014, 2013 and 2012. See Note 3—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional details on our discontinued operations.

(a) The information for 2014, 2013 and 2012 has been revised to reflect the retrospective application of Accounting Standard Update 2015-15 Presentation of Debt Issuance Costs, which was adopted by the Company as of December 31, 2015.

(b) The information for 2014, 2013 and 2012 has been revised to reflect the retrospective application of Accounting Standard Update 2015-17 Income Taxes, which was adopted by the Company as of December 31, 2015.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the consolidated financial statements and the notes thereto included elsewhere in this Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those we discuss under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K.

Executive Overview

Through its subsidiaries, American Water is the largest and most geographically diverse investor-owned publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. We employ approximately 6,800 professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in 47 states, the District of Columbia and Ontario, Canada. Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial and other customers, including sale for resale and public authority customers. Our Regulated Businesses that provide these services are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation. Certain federal and state governments also regulate environmental, health and safety, and water quality matters. Our Regulated Businesses provide services in 16 states and serve approximately 3.3 million customers based on the number of active service connections to our water and wastewater networks. We also operate several businesses that provide a broad range of related and complementary water and wastewater services in four operating segments that individually do not meet the criteria of a reportable segment in accordance with GAAP. These four non-reportable operating segments are collectively presented as our Market-Based Businesses, which is consistent with how management assesses the results of these businesses.

2016 Strategic Focus & Achievements

For 2016, our focus was anchored on five central strategic themes:

- Customer – One of our core values is putting our customers at the center of everything we do.
  - In 2016, we achieved a customer satisfaction rating in the top quartile among our water industry peers and achieved a service quality rating of 85%, which also placed us in the top quartile compared to our water industry peers;
  - We launched a comprehensive customer experience initiative designed to enhance our quality of service and make it easier for customers to do business with us;
  - We continued to make needed infrastructure investment while implementing operational efficiency improvements to keep customer rates affordable; and
  - Our drinking water system quality was 21 times better than the industry average.
- Safety – The health and safety of our employees, customers and the public is both a strategy and a value.
  - In 2016, our focus continued on putting safety first. We finished 2016 with fewer employee injuries than in the prior year, we enhanced accident prevention and risk mitigation through our "near miss" reporting program and we achieved a stronger safety culture as measured by employee responses in the Company's culture survey. Our safety council, consisting of management and labor employees from across the Company, continued their mission of developing and implementing recommendations to reinforce the Company's commitment to safety. In addition, we hold our vendors accountable to the same safety standards as our Company.
- People – Our employees and culture are paramount to our success.
  - In 2016, we continued to demonstrate our commitment to employees by providing safety and technical training throughout the Company and expanding training and development offerings for supervisors and individual employees. We enhanced and developed robust succession plans for key leadership roles across the company and we continued to provide competitive compensation and benefits to retain and attract a highly skilled and diverse workforce.
- Growth – We invested $1.5 billion in 2016; a record level of annual investment since the Company went public in 2008 including:
  - $1.3 billion of which the majority was in our Regulated Businesses primarily to improve infrastructure; and
  - $199 million for completed regulated acquisitions, adding approximately 42,000 water and wastewater customers. Included was the purchase of substantially all of the wastewater collection and treatment assets of the Sewer Authority of the City of Scranton by Pennsylvania-American Water Company ("PAWC") on December 29, 2016. This acquisition alone added approximately 31,000 wastewater customers in the City of Scranton and Dunmore Borough, Pennsylvania.

- In addition to the acquisitions that closed in 2016 adding approximately 42,000 water and wastewater customers discussed above, we also entered into a number of agreements for which the closing of the transactions remain pending. These pending transactions represent the potential addition of approximately 40,000 new water and wastewater customers. The largest of the pending acquisitions include:
  - Shorelands Water Company, New Jersey: Shorelands currently provides water service to approximately 11,000 customers in Monmouth County, New Jersey. On August 2, 2016, we agreed to acquire all of the capital stock of Shorelands Water Company ("Shorelands") in exchange for an equivalent value of our common stock. The maximum number of shares of our common stock to be exchanged upon closing of this acquisition will be less than 500,000 and will be based upon the average price of our common stock. The closing of this acquisition is subject to the satisfaction of various conditions and compliance by the parties with certain covenants, including obtaining the approval of the New Jersey Board of Public Utilities. The Company is seeking to close the acquisition in the first half of 2017.
  - Municipal Authority of the City of McKeesport, Pennsylvania: The system currently represents approximately 22,000 wastewater customers. On September 9, 2016, PAWC signed an asset purchase agreement to acquire substantially all of the wastewater collection and treatment system assets of the Municipal Authority of the City of McKeesport, Pennsylvania for approximately $156 million, subject to certain adjustments provided in the agreement. In connection with the execution of this agreement, a $5 million non-escrowed deposit was also paid. The closing of this acquisition is subject to the satisfaction of various conditions and covenants, including obtaining the approval of the Pennsylvania Public Utility Commission. We are seeking to close this acquisition in the second half of 2017.

- Technology and Operational Efficiency – We drove continued cost savings into our businesses.
  - Our Regulated Businesses achieved an adjusted O&M efficiency ratio (a non-GAAP measure) of 34.9% in 2016;

Our adjusted O&M efficiency ratio for the year ended December 31, 2016 was 34.9%, compared to 35.9% and 36.7% for the years ended December 31, 2015 and 2014, respectively. The improvement in the 2016 adjusted O&M efficiency ratio over the 2015 ratio was primarily attributable to an increase in revenue. The improvement in the 2015 adjusted O&M efficiency ratio over the 2014 ratio was attributable to both an increase in revenue and decreases in O&M expenses.

Our adjusted O&M efficiency ratio is defined as our regulated O&M expenses divided by regulated operating revenues, where both O&M expenses and operating revenues were adjusted to eliminate purchased water expense. Additionally, from the O&M expenses, we excluded the allocable portion of non-O&M support services cost, mainly depreciation and general taxes that are reflected in the Regulated Businesses segment as O&M expenses but for consolidated financial reporting purposes are categorized within other line items in the accompanying Consolidated Statements of Operations. In addition to the standard adjustments to the O&M efficiency ratio for the year ended December 31, 2016, we have also excluded from operating revenues and O&M expenses the impact from the binding global agreement in principle related to the Freedom Industries chemical spill in West Virginia. Also, for the year ended December 31, 2014, we have also excluded from operating revenues and O&M expenses the estimated impact to revenue and O&M attributable to changes in consumption as a result of abnormal weather and the costs associated with the Freedom Industries chemical spill, as applicable. We excluded all the above items from the calculation as we believe such items are not reflective of management's ability to increase efficiency of the Company's regulated operations.

We evaluate our operating performance using this measure because management believes it is a direct measure of the improvement to the efficiency of our Regulated Businesses' operations. This information is intended to enhance an investor's overall understanding of our operating performance. The O&M efficiency ratio is not a GAAP financial measure and may not be comparable to other companies' operating measures and should not be used in place of the GAAP information provided elsewhere in this report.

The following table provides the calculation and reconciliation that compares O&M expenses and operating revenues, as determined in accordance with GAAP, to those amounts utilized in the calculation of our adjusted O&M efficiency ratio for the years ended December 31:

	2016	2015	2014
		(in millions)	
Total operation and maintenance expenses	$ 1,504	$ 1,404	$ 1,350
Less:			
Operation and maintenance expenses—Market-Based Businesses	372	358	289
Operation and maintenance expenses—Other	(44)	(49)	(51)
Total regulated operation and maintenance expenses	1,176	1,095	1,112
Less:			
Regulated purchased water expenses	122	117	122
Allocation of non-operation and maintenance expenses	30	35	39
Impact of Freedom Industries chemical spill in West Virginia	—	—	10
Impact of binding global agreement in principle	65	—	—
Estimated impact of weather	—	—	(2)
Adjusted regulated operation and maintenance expenses (a)	$ 959	$ 943	$ 943
Total operating revenues	$ 3,302	$ 3,159	$ 3,011
Less:			
Operating revenues—Market-Based Businesses	451	434	355
Operating revenues—Other	(20)	(18)	(18)
Total regulated operating revenues	2,871	2,743	2,674
Less:			
Regulated purchased water revenues*	122	117	122
Add:			
Impact of Freedom Industries chemical spill in West Virginia	—	—	1
Estimated impact of weather	—	—	17
Adjusted regulated operating revenues (b)	$ 2,749	$ 2,626	$ 2,570
Adjusted O&M efficiency ratio (a)/(b)	34.9%	35.9%	36.7%

* Note calculation assumes purchased water revenues approximate purchased water expenses.

- We implemented an enterprise resource planning system in our Market-Based Businesses to integrate and enhance operations, customer service and support services; and
- We initiated a strategic technology program designed to leverage technological advancements to enhance customer experience, drive operational efficiency, provide data integration and analytics, and enhance security. In addition, we implemented improved technology tools to enhance communication, collaboration and mobility, including a new comprehensive technology roadmap that will help our operations and support employees in providing even better customer experiences in the future.

2016 Financial Results

Highlights of our diluted earnings per share and adjusted diluted earnings per share for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Income from continuing operations	$ 2.62	$ 2.64	$ 2.39
Loss from discontinued operations, net of tax (a)	—	—	(0.04)
Diluted earnings per share	$ 2.62	$ 2.64	$ 2.35
Add back: Non-GAAP adjustment:			
Impact of the binding global agreement in principle (b)	0.36	—	—
Tax impact	(0.14)	—	—
Non-GAAP adjustment impact on diluted earnings per share	0.22	—	—
Adjusted diluted earnings per share	$ 2.84	$ 2.64	$ 2.35

(a) Discontinued operations represents the 2014 sale of our Terratec line of business, which was part of our Market-Based Businesses. The loss from discontinued operations, net of tax, reflected in the 2014 financial results includes the loss on the sale, an income tax valuation allowance and the 2014 operating results of the entity prior to the sale. See Note 3—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for further details on our discontinued operations.

(b) See Item 3—Legal Proceedings and Note 15—Commitments and Contingencies in the Notes to Consolidated Financial Statements included in Item 8—Consolidated Financial Statements in this Form 10-K.

Income from continuing operations decreased 2 cents per diluted share, or 0.8%, for the year ended December 31, 2016 compared to the prior year. Included in the 2016 amount was the after-tax charge of $39 million, or $0.22 per diluted share, resulting from the binding global agreement in principle related to the Freedom Industries chemical spill. Excluding this charge, income from continuing operations increased $0.20 per diluted share, or approximately 7.6%. This increase was mainly due to continued strong growth in our Regulated Businesses. For further detailed discussion of the consolidated results of operations, as well as the financial results of our business segments, see “Comparison of Consolidated Results of Operations” and “Segment Results of Operations”.

Adjusted diluted earnings per share represents a non-GAAP financial measure and excludes the impact of the Settlement. We believe that this non-GAAP measure provides useful information by excluding such matters that may not be indicative of our on-going operating results. We believe this non-GAAP measure will allow for better evaluation of the operating performance of the business and facilitate a meaningful comparison of our results in the current year to those in prior years. The non-GAAP financial information should be considered in addition to, not as a substitute for, measures of financial performance prepared in accordance with U.S. GAAP. In addition, our non-GAAP measure may not be comparable to similarly titled non-GAAP measures of other companies.

Regulatory Matters

The table below provides rate authorizations effective from 2014 through 2016. The table depicts annualized incremental revenues assuming a constant water sales volume:

	For the Years Ended December 31,		
	2016	2015	2014
		(In millions)	
General rate cases by state			
Indiana (a)	$ 2	$ 5	$ —
West Virginia (b)	18	—	—
Missouri (c)	5	—	—
Kentucky (d)	7	—	—
New Jersey (e)	—	22	—
California (f)	2	5	2
Iowa (g)	—	—	4
Other	—	1	—
Total General rate cases	$ 34	$ 33	$ 6

(a) New rates effective January 29 of each year.
(b) New rates effective February 25, 2016.
(c) New rates effective July 20 and 22, 2016.
(d) New rates effective August 28, 2016.

(e) New rates effective September 21, 2015.
(f) Step rates for 2016 and 2015 effective January 1. The 2014 increase is from step rate and attrition year filing with rates effective on April 1, 2014.
(g) New rates effective April 18, 2014, including $3 million of interim rates effective May 10, 2013.

On December 13, 2016 we received a decision on our general rate case in Illinois authorizing additional annualized revenues of $26 million effective on January 1, 2017.

On February 1, 2016, Cal Am received approval from the CPUC to extend its cost of capital proceeding for an additional year. Subsequently, Cal Am has requested to extend its current authorized cost of capital which is scheduled to expire on December 31, 2017 for an additional year. If no extension is received by March 31, 2017, Cal Am will file its cost of capital application as scheduled.

During the first quarter of 2017, Cal Am received approval from the CPUC for step rates authorizing additional annualized revenues of $5 million effective on various dates between January 13, 2017 and February 2, 2017.

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. The following table details additional annualized revenues authorized through infrastructure surcharge mechanisms that were effective from 2014 through 2016:

	For the Years Ended December 31,		
	2016	2015	2014
		(In millions)	
Infrastructure charges by state			
Pennsylvania (a)	$ 28	$ 14	$ —
New Jersey (b)	19	9	17
Missouri (c)	—	2	13
Indiana (d)	3	—	—
Illinois (e)	7	6	2
New York (f)	—	1	2
Tennessee (g)	2	2	1
Total Infrastructure charges	$ 59	$ 34	$ 35

(a) Quarterly filings in 2016 for $11 million, $2 million, $6 million and $9 million effective the first day of the calendar quarter for January, April, July and October, respectively. For 2015, $2 million, $4 million and $8 million effective April 1, July 1 and October 1, 2015, respectively. No infrastructure charges in 2014 as the general rate case effective January 1, 2014, included a forecasted test year.
(b) Semi-annual filings in 2016, $9 million effective June 1, 2016 and $10 million effective December 1, 2016. For 2015, $9 million effective January 1, 2015. For 2014, $7 million and $10 million effective July 1, 2014 and January 1, 2014.
(c) 2015 effective date was June 27, 2015. For 2014, $9 million and $4 million effective December 31, 2014 and May 30, 2014.
(d) Effective May 4, 2016.
(e) For 2016, $1 million effective January 1 and $6 million effective August 1. For 2015, $1 million and $5 million effective February 1 and January 1. For 2014, $2 million effective January 1.
(f) For 2015, effective date is December 1. For 2014, $1 million effective January 1 and March 3.
(g) Effective dates of March 15, 2016, June 29, 2015 and April 15, 2014.

On December 2, 2016, infrastructure charges amounting to additional annualized revenues of $2 million was approved for our West Virginia subsidiary and became effective on January 1, 2017. Also, on January 1, 2017, $1 million of additional annualized revenues from infrastructure charges for our Pennsylvania subsidiary were authorized and became effective.

2016 Pending Rate Cases and Infrastructure Charges

On April 1, 2016, $9 million in annualized revenues, which was requested in our Virginia general rate case that was filed on October 30, 2015, was put into effect as interim rates under bond and subject to refund.

On April 29, 2016, our New York subsidiary filed a general rate case requesting $9 million in additional annualized water revenues. Also on April 29, 2016, our Iowa subsidiary filed a general rate case requesting $5 million in additional annualized revenue. On May 9, 2016, $2 million in additional annualized revenues of the $5 million requested in our Iowa rate case were put into effect as interim rates under bond and subject to refund.

On July 1, 2016, our California subsidiary filed a general rate case requesting to increase revenues over three years. This increase includes a request of $35 million of additional annualized revenue, which is expected to become effective on January 1, 2018 as well as a step rate and attrition rate increase of $8 million in both 2019 and 2020.

On November 4, 2016, our Tennessee subsidiary filed for an infrastructure surcharge requesting additional revenues of $2 million. On January 16, 2017, our Indiana subsidiary filed for an infrastructure surcharge requesting additional revenues of $8 million.

There is no assurance that all or any portion of these requests will be granted.

Other Regulatory Matters

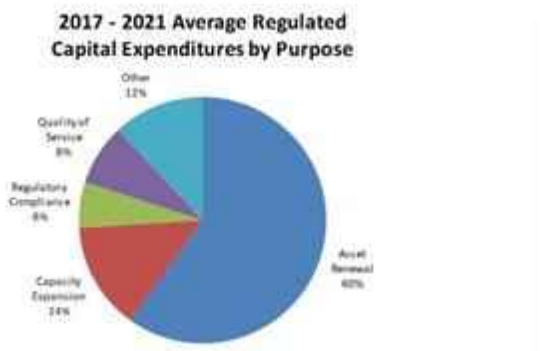
On December 8, 2016, the CPUC issued a final decision in regard to the application filed by Cal Am in July 2015 which requested changes to the then present rate design and the emergency conservation and rationing plan for water customers in certain areas within its Monterey County service district. The final decision allowed for: (i) recovery of existing undercollections of the net water revenue adjustment mechanism/modified cost balancing account ("WRAM/MCBA") balance amounting to approximately $32 million at December 31, 2016, over 5 years earning interest at the 90-day commercial paper rate; and (ii) modification of existing conservation and rationing plans.

2017 and Beyond

We believe our success in the future will be driven by engaged employees, smart investments and safe, efficient operations leading to highly satisfied customers, which in turn will lead to constructive regulatory outcomes and sustainable financial performance. Our future results will continue to be anchored on our five central themes with customers at the center of all we do. These five central themes are our focus over the next five years:

- **Customers.** Our focus continues on our customers by achieving customer satisfaction and service quality targets in the top quartile of our industry. Our comprehensive customer experience initiative is designed to make it easier for customers to do business with us. Our focus on water quality continues to converge people, technology and innovation to deliver industry leading water quality. We intend to continue to make needed infrastructure investments while implementing operational efficiency improvements to help keep customer rates affordable.
- **Safety.** Our focus continues to put safety first in everything that we do. Our safety focus includes the safety and health of our employees, our customers and the public. We measure our success through water quality, OSHA recordable incident and DART rates ("days away, restricted or transferred"), where we strive to achieve industry leading performance.
- **People.** Our focus on our employees and culture is paramount to our success going forward. We intend to continue our focus on ensuring we have strong relationships with our union employees, effective training and development plans for all employees and a diverse workforce.
- **Growth.** We expect to invest $6.7 to $7.3 billion over the next five years, with $1.5 billion in 2017, as follows:
  - Capital investment to improve infrastructure in our Regulated Businesses segment of $5.9 billion, with $1.25 billion expected in 2017;
  - Growth from acquisitions in our Regulated Businesses segment of $600 million to $1.2 billion to expand our water and wastewater customer base with $120 million to 240 million expected in 2017; and
  - Strategic capital investments of about $200 million for the next five years with approximately $100 million expected in 2017, which includes investments related growth in our Market-Based Businesses as we expand markets and new offerings, and evaluate potential opportunities to assist the natural gas exploration and production industry in the delivery of water to support their processes. Also, we are building a new corporate headquarters in Camden, New Jersey, which is expected to be complete in 2018. This project is eligible for up to $164 million in tax credits from New Jersey's Economic Development Authority.

The chart below presents our estimated percentage of projected capital expenditures over the period of 2017 to 2021 for improving infrastructure in our Regulated Businesses segment by purpose:



- **Technology and Operational Efficiency.** We intend to continue our commitment to operational efficiency, technology, innovation and environmental leadership. We plan to continue to modernize our infrastructure and leverage technological advancements to enhance customer experience, drive operation efficiency, provide data integration and analytics and enhance security. We have set a goal to achieve an adjusted O&M efficiency ratio (a non-GAAP measure, see below for additional information) equal to or below 32.5% by 2021. We are committed to environmental leadership while providing safe, reliable and cost effective water and water-related services to our customers.

  With respect to our adjusted O&M efficiency ratio goal for 2021, we are unable to provide without unreasonable efforts a quantitative reconciliation of each component of this ratio to the most comparable financial measure calculated in accordance with GAAP. In calculating the components of the ratio, certain items that may ultimately be excluded would be reflective of events that cannot be reasonably predicted at this time. The unavailable information would include, among other things, the impact of items currently excluded from the calculation of the components, adjustments for weather conditions that exceed a certain threshold of variability and adjustments for events or circumstances that may not be reflective of ongoing operating results. The probable significance of these items is also presently unknown and cannot be reasonably estimated.

Consolidated Results of Operations

The following table presents our consolidated results of operations for the years ended December 31:

(In millions)	2016	2015	2014	Increase (Decrease) 2016 vs. 2015	%	Increase (Decrease) 2015 vs. 2014	%
Operating revenues	$ 3,302	$ 3,159	$ 3,011	$ 143	4.5	$ 148	4.9
Operating expenses:							
Operation and maintenance	1,504	1,404	1,350	100	7.1	54	4.0
Depreciation and amortization	470	440	424	30	6.8	16	3.8
General taxes	258	243	236	15	6.2	7	3.0
(Gain) loss on asset dispositions and purchases	(10)	(3)	(2)	(7)	233.3	(1)	50.0
Total operating expenses, net	2,222	2,084	2,008	138	6.6	76	3.8
Operating income	1,080	1,075	1,003	5	0.5	72	7.2
Other income (expenses):							
Interest, net	(325)	(308)	(299)	(17)	5.5	(9)	3.0
Other, net	15	15	6	—	—	9	150.0
Total other income (expenses)	(310)	(293)	(293)	(17)	5.8	—	—
Income from continuing operations before income taxes	770	782	710	(12)	(1.5)	72	10.1
Provision for income taxes	302	306	280	(4)	(1.3)	26	9.3
Income from continuing operations	468	476	430	(8)	(1.7)	46	10.7
Loss from discontinued operations, net of tax	—	—	(7)	—	—	7	(100.0)
Net income attributable to common stockholders	$ 468	$ 476	$ 423	$ (8)	(1.7)	$ 53	12.5

Comparison of Consolidated Results of Operations

Operating revenues. In 2016, operating revenues increased $143 million, or 4.5%, primarily due to a:

- $128 million increase in our Regulated Businesses segment primarily due to authorized rate increases to fund infrastructure investment growth, acquisitions, organic growth and incremental revenues from surcharges and balancing accounts; and
- $17 million increase in our Market-Based Businesses primarily attributable to our acquisition of Keystone in the third quarter of 2015, and incremental revenues from our Homeowner Services and Contract Operations Groups; partially offset by a decrease in our Military Services Group revenues.

In 2015, operating revenues increased $148 million, or 4.9%, primarily due to an:

- $69 million increase in our Regulated Businesses segment primarily due to rate increases, infrastructure charges and increased demand, partially offset by decreased surcharges and balancing accounts in 2015;
- $53 million increase in our Market-Based Businesses primarily due to incremental revenue from increased construction project activity in our Military Services Group and contract growth in our Homeowners Services Group; and
- $26 million increase attributable to our Keystone acquisition, which is included in our Market-Based Businesses.

Operation and maintenance. In 2016, operation and maintenance expense increased $100 million, or 7.1%, primarily due to a:

- $65 million charge in our Regulated Businesses attributable to the binding global agreement in principle to settle claims arising out of the Freedom Industries chemical spill in West Virginia;
- $16 million increase in our Regulated Businesses operations and maintenance expenses principally due to higher employee-related costs and litigation expenses, partially offset by lower insurance claims and uncollectible accounts expense; and
- $14 million increase in our Market-Based Businesses with $11 million attributable to Keystone and the remaining $3 million primarily due to incremental costs associated with growth in our Homeowner Services Group and Contract Operations Group.

In 2015, operation and maintenance expense increased $54 million, or 4.0%, primarily due to a:

- $45 million increase in our Market-Based Businesses primarily due to incremental costs in our Military Services Group and Homeowner Services Group corresponding with the increases in operating revenues discussed above;
- $24 million increase attributable to our Keystone acquisition; partially offset by a
- $17 million decrease in our Regulated Businesses segment primarily due to lower production costs, contract services and transportation costs, partially offset by higher casualty insurance costs.

Depreciation and amortization. In 2016 and 2015, depreciation and amortization expense increased $30 million and $16 million, or 6.8% and 3.8%, respectively. The increase for both periods was primarily due to additional utility plant placed in service. Also included in 2016 is incremental depreciation and amortization expense resulting from the acquisition of Keystone in the third quarter of 2015.

General Taxes. In 2016, general taxes increased $15 million, or 6.2%, due to higher gross receipt taxes and higher property taxes in our Regulated Businesses segment.

Other income (expenses). In 2016, other expenses increased by $17 million, or 5.8%, principally due to an increase in interest expense from the issuance of incremental long-term debt, as well as, an increase in short-term interest expense mainly due to higher levels of short-term borrowings during 2016 coupled with an increase in the average short-term borrowing rates in 2016 compared to 2015.

Provision for income taxes. In 2016, our provision for income taxes decreased by $4 million, or 1.3%, due primarily to the decrease in pre-tax income. In 2015, our provision for income taxes increased $26 million, or 9.3%, due primarily to the increase in pre-tax income. The effective tax rates were 39.2%, 39.1% and 39.4% for the years ended December 31, 2016, 2015 and 2014, respectively.

In December 2015, the accelerated tax benefit for bonus depreciation was legislatively extended through 2019. Bonus depreciation applies to certain qualified capital investments placed into service and allows for a bonus depreciation provision of 50% for both 2016 and 2017, 40% in 2018 and 30% in 2019. We have federal NOL carryforwards of $1.2 billion as of December 31, 2016. As such, the election of bonus depreciation will be annually determined on a state-by-state basis and will include, among other items, an evaluation of our ability to utilize our federal NOL carryforwards, charitable contribution carryforwards, and state regulatory practices. If we elect bonus depreciation for all years, we would not expect to pay federal income taxes until 2021 under current Internal Revenue Service regulations.

Loss from discontinued operations, net of tax. As previously noted, the financial results of our Terratec line of business within our Market-Based Businesses was classified as discontinued operations for all periods presented. The sale of Terratec was completed in 2014. The 2014 loss from discontinued operations, net of tax includes the loss on sale, a tax valuation allowance and operating results.

Segment Results of Operations

Our segments are determined based on how we assess performance and allocate resources. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being income from continuing operations.

We conduct our business primarily through one reportable segment, our Regulated Businesses segment. We also operate businesses that provide a broad range of related and complementary water and wastewater services, which includes four operating segments that individually do not meet the criteria of a reportable segment. These four non-reportable segments have been combined and are presented as Market-Based Businesses, which is consistent with how management assesses the results of our businesses.

Regulated Businesses Segment

The following table summarizes certain financial information for our Regulated Businesses segment:

(Dollars in millions)	For the Years Ended December 31, 2016	2015	2014
Operating revenues	$ 2,871	$ 2,743	$ 2,674
Operation and maintenance	1,176	1,095	1,112
Operating expenses, net	1,852	1,732	1,726
Net income attributable to common stockholders	472	473	434

Operating revenues. The following tables and discussions provide explanation of the variances related to the three components of operating revenues—water revenues, wastewater revenues and other revenues:

(Dollars in millions)	For the Years Ended December 31, 2016	2015	2014	Increase (Decrease) 2016 vs. 2015	%	Increase (Decrease) 2015 vs. 2014	%
	Operating Revenues						
Water service:							
Residential	$ 1,592	$ 1,536	$ 1,515	$ 56	3.6	$ 21	1.4
Commercial	580	559	550	21	3.8	9	1.6
Industrial	134	130	132	4	3.1	(2)	(1.5)
Public and other	338	331	333	7	2.1	(2)	(0.6)
Other water revenues	53	39	26	14	35.9	13	50.0
Billed water services	2,697	2,595	2,556	102	3.9	39	1.5
Unbilled water services	13	(3)	(25)	16	(533.3)	22	(88.0)
Total water revenues	2,710	2,592	2,531	118	4.6	61	2.4
Wastewater revenues	112	97	93	15	15.5	4	4.3
Other revenues	49	54	50	(5)	(9.3)	4	8.0
Total operating revenues	$ 2,871	$ 2,743	$ 2,674	$ 128	4.7	$ 69	2.6

(Gallons in millions)	For the Years Ended December 31, 2016	2015	2014	Increase (Decrease) 2016 vs. 2015	%	Increase (Decrease) 2015 vs. 2014	%
	Billed Water Sales Volume						
Water service							
Residential	174,599	175,653	176,975	(1,054)	(0.6)	(1,322)	(0.7)
Commercial	82,489	81,772	81,564	717	0.9	208	0.3
Industrial	38,465	38,991	39,833	(526)	(1.3)	(842)	(2.1)
Public and other	50,678	51,324	52,710	(646)	(1.3)	(1,386)	(2.6)
Billed water services	346,231	347,740	351,082	(1,509)	(0.4)	(3,342)	(1.0)

Note: The correlation between water service revenues and billed water sales volumes shown above is impacted by the California drought. In 2015 and to a lesser extent in 2016 California experienced a severe drought. In April 2015, the Governor mandated water usage restrictions to reduce overall water usage by 25% in the state compared to 2013 levels. Revenue in California is decoupled from sales volume through the Water Revenue Adjustment Mechanism and the Modified Cost Balancing Account, aligning our water conservation goals with those of the state and our customers and therefore usage reductions do not impact earnings.

In 2016, operating revenues increased $128 million, or 4.7%, primarily due to a:

- $92 million increase from authorized rate increases, including infrastructure surcharges, primarily to fund investment growth in various states;
- $23 million increase resulting from water and wastewater acquisitions as well as organic growth in existing systems;
- $13 million net increase principally due to revenues from balancing accounts, with the majority associated with our California subsidiary, surcharges and other adjustments.

In 2015, operating revenues increased $69 million, or 2.6%, primarily due to a:

- $45 million increase from rate increases and infrastructure charges;
- $24 million increase from higher demand, mainly due to milder weather in 2014;
- $6 million increase attributable to recent water and wastewater acquisitions coupled with organic growth in existing systems;
- $5 million incremental revenues for late payments and reconnection fees; partially offset by a
- $21 million decrease in surcharges and balancing accounts in our California subsidiary primarily related to the drought and the $5 million charge associated with the July 2015 application filed with CPUC.

Operation and maintenance. The following table and discussions provide a detailed explanation of the variances related to the major components of operation and maintenance.

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2016	2015	2014	2016 vs. 2015		2015 vs. 2014	
(Dollars in millions)					%		%
Production costs	$ 288	$ 282	$ 289	$ 6	2.1	$ (7)	(2.4)
Employee-related costs	443	430	430	13	3.0	—	—
Operating supplies and services	212	194	217	18	9.3	(23)	(10.6)
Maintenance materials and supplies	73	70	68	3	4.3	2	2.9
Customer billing and accounting	54	63	61	(9)	(14.3)	2	3.3
Other	106	56	47	50	89.3	9	19.1
Total	$ 1,176	$ 1,095	$ 1,112	$ 81	7.4	$ (17)	(1.5)

Production costs

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2016	2015	2014	2016 vs. 2015		2015 vs. 2014	
(Dollars in millions)					%		%
Purchased water	$ 122	$ 117	$ 121	$ 5	4.3	$ (4)	(3.3)
Fuel and power	87	89	92	(2)	(2.2)	(3)	(3.3)
Chemicals	47	48	46	(1)	(2.1)	2	4.3
Waste disposal	32	28	30	4	14.3	(2)	(6.7)
Total	$ 288	$ 282	$ 289	$ 6	2.1	$ (7)	(2.4)

In 2016, production costs increased $6 million, or 2.1%, primarily due to a:

- $3 million increase in purchased water attributable to price increases in our California subsidiary;
- $4 million increase in waste disposal cost mainly attributable to higher sludge removal costs; partially offset by a
- $2 million decrease in fuel and power primarily due to a price decrease in our New Jersey subsidiary.

In 2015, production costs decreased $7 million, or 2.4%, primarily due to a:

- $9 million decrease primarily due to lower usage in our California subsidiary as a result of statewide conservation initiatives, including decreases of $8 million in purchased water and $1 million in fuel and power; partially offset by a
- $4 million increase in purchased water primarily due to price increases in our Illinois and New Jersey subsidiaries.

Employee-related costs

(Dollars in millions)	For the Years Ended December 31, 2016	2015	2014	Increase (Decrease) 2016 vs. 2015	%	Increase (Decrease) 2015 vs. 2014	%
Salaries and wages	$ 336	$ 321	$ 328	$ 15	4.7	$ (7)	(2.1)
Pensions	28	30	27	(2)	(6.7)	3	11.1
Group insurance	58	60	55	(2)	(3.3)	5	9.1
Other benefits	21	19	20	2	10.5	(1)	(5.0)
Total	$ 443	$ 430	$ 430	$ 13	3.0	$ —	—

In 2016, employee-related costs increased $13 million, or 3.0%, primarily due to a:

- $19 million increase in compensation in support of the growth of the business;
- $9 million increase in medical and prescription drug group insurance costs, offset by a
- $10 million decrease in other postretirement benefit plan expenses as a result of plan amendments in the third quarter of 2016; and
- $6 million decrease in costs due to an increase in capitalized labor attributable to an increase in capital investments.

In 2015, employee-related costs remained consistent primarily due to a:

- $14 million reduction largely attributable to fewer employees and an increase in capital projects, which in turn resulted in higher capitalization rates; partially offset by a
- $14 million increase in pension costs and postretirement benefits costs, which is included in the group insurance line above, primarily due to the adoption of new mortality assumptions and a decrease in the discount rate resulting in increased plan obligations.

Operating supplies and services

(Dollars in millions)	For the Years Ended December 31, 2016	2015	2014	Increase (Decrease) 2016 vs. 2015	%	Increase (Decrease) 2015 vs. 2014	%
Contracted services	$ 84	$ 81	$ 88	$ 3	3.7	$ (7)	(8.0)
Office supplies and services	45	44	45	1	2.3	(1)	(2.2)
Transportation	13	16	20	(3)	(18.8)	(4)	(20.0)
Rents	14	14	15	—	—	(1)	(6.7)
Other	56	39	49	17	43.6	(10)	(20.3)
Total	$ 212	$ 194	$ 217	$ 18	9.3	$ (23)	(10.6)

In 2016, operating supplies and services increased $18 million, or 9.3%, primarily due to:

- $8 million attributable to a judgment in litigation and related legal costs associated with a contract dispute;
- $5 million write-off related to timekeeping system costs that were capitalized under construction work in process; and
- $3 million adjustment in 2015 attributable to the recognition of a regulatory asset for previously expensed business transformation costs as a result of the finalization of our California rate case.

In 2015, operating supplies and services decreased $23 million, or 10.6%, primarily due to a:

- $5 million decrease in condemnation and conservation costs primarily due to initiatives in 2014 incurred by our California subsidiary;
- $3 million decrease in legal services;
- $3 million incremental costs in 2014 associated with the Freedom Industries chemical spill in West Virginia;

- $3 million adjustment attributable to the recognition of a regulatory asset for previously expensed business transformation costs as a result of the finalization of our California rate case; and
- $3 million decrease in transportation costs primarily due to lower fuel prices.

Maintenance materials and supplies

In 2016, maintenance materials and supplies increased $3 million, or 4.3%, primarily due to a:

- $10 million increase in tank painting; partially offset by a
- $ 5 million decrease in main breaks maintenance cost as a result of milder winter weather in 2016.

In 2015, maintenance materials and supplies increased $2 million, or 2.9%, primarily due to an increase in tank painting costs.

Customer billing and accounting

Customer billing and accounting expenses decreased $9 million, or 14.3%, in 2016 compared to 2015 primarily due to a decrease in uncollectible accounts expense primarily attributable to focused collection efforts.

Other

In 2016, other operation and maintenance expenses increased $50 million, or 89.3%, primarily due to a:

- $65 million charge resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia; partially offset by a
- $15 million decrease in casualty insurance costs attributable to a decrease in historical claims experience.

In 2015, other operation and maintenance expenses increased $9 million, or 19.1%, primarily due to an increase in casualty insurance costs as a result of an increase in historical claims experience resulting in premium adjustments.

Operating expenses, net. For the year ended December 31, 2016, operating expenses, net increased $120 million, or 6.9% compared to same period in prior year, primarily due to:

- $81 million increase in operation and maintenance expense as explained above;
- $30 million increase in depreciation and amortization expense attributable to additional utility plant placed in service; and
- $14 million increase in general tax expense most of which is associated with incremental property and gross receipt taxes.

Market-Based Businesses

The following table summarizes certain financial information for our Market-Based Businesses:

	For the Years Ended December 31,		
(Dollars in millions)	**2016**	**2015**	**2014**
Operating revenues	$ 451	$ 434	$ 355
Operation and maintenance	372	358	289
Operating expenses, net	391	370	300
Net income attributable to common stockholders	39	42	33

Operating revenues. In 2016, operating revenues increased $17 million, or 3.9%, primarily due to a:

- $15 million increase resulting from Keystone, which was acquired in the third quarter of 2015;
- $11 million increase in our Homeowner Services Group revenues primarily due to contract growth, as well as expansion into new geographic areas and price increases for certain existing customers; and

- $11 million increase in our Contract Operations Group revenues primarily due to contract growth, mostly associated with our contract in Camden, New Jersey; partially offset by a
- $21 million decrease in our Military Services Group revenues primarily due to lower capital upgrades in 2016 attributable to higher project activity in 2015 partially offset by incremental revenues due to the addition of Vandenberg Air Force Base in 2016.

In 2015, operating revenues increased $79 million, or 22.3%, primarily due to a:

- $41 million increase in our Military Services Group revenues primarily due to additional construction project activities and the addition of two military contracts, Hill Air Force Base and Picatinny Arsenal, in the second half of 2015;
- $15 million increase in our Homeowner Services Group revenues primarily due to contract growth, mainly in New York City, and the expansion into other geographic areas; and
- $26 million increase resulting from Keystone; partially offset by a
- $3 million decrease in our Contract Operations Group revenues primarily attributable to the termination of certain municipal and industrial operations and maintenance contracts.

Operation and maintenance. The following table provides information regarding components of operation and maintenance:

	For the Years Ended December 31,			Increase (Decrease)		Increase (Decrease)	
	2016	2015	2014	2016 vs. 2015		2015 vs. 2014	
(Dollars in millions)					%		%
Production costs	$ 35	$ 36	$ 35	$ (1)	(2.8%)	$ 1	2.9%
Employee-related costs	94	76	62	18	23.7%	14	22.6%
Operating supplies and services	165	182	138	(17)	(9.3%)	44	31.9%
Maintenance materials and supplies	68	57	47	11	19.3%	10	21.3%
Other	10	7	7	3	42.9%	—	—
Total	$ 372	$ 358	$ 289	$ 14	3.9%	$ 69	23.9%

In 2016, operation and maintenance expense increased $14 million, or 3.9%, primarily due to a:

- $11 million increase resulting from Keystone, including $8 million in employee-related costs, $1 million in operating supplies and services and $1 million in other;
- $11 million increase in maintenance materials and supplies primarily due to contract growth in our Homeowner Services and Contract Operations Groups, as well as higher claims, marketing expenses, and costs associated with our investment in a new customer information system in our Homeowner Services Group; and
- $10 million increase in employee-related costs primarily due to the addition of the Vandenberg Air Force Base contract, as well as increased headcount resulting from contract growth in our Homeowner Services and Contract Operations Groups; partially offset by a
- $18 million decrease in operating supplies and services primarily due to lower capital upgrades in our Military Services Group, as discussed above.

In 2015, operation and maintenance expense increased $69 million, or 23.9%, primarily due to a:

- $30 million increase in our Military Services Group operating supplies and services primarily due to increased construction project activities and the addition of two military contracts;
- $24 million increase resulting from Keystone, including $9 million in employee-related costs, $14 million in operating supplies and services and $1 million in maintenance, materials and supplies;
- $7 million increase in our Homeowner Services Group maintenance and supplies primarily due to higher repair costs incurred, which was attributable to the increase in the number of contracts; and
- $5 million increase in our Military Services Group and Homeowners Services Group employee-related costs, which was attributable to the addition of two military contracts and increase in headcount.

Liquidity and Capital Resources

We regularly evaluate and monitor our cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. Our business is capital intensive, with a majority of this capital funded by cash flows from operations. When necessary, we also obtain funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings. We also have access to equity capital markets, if needed. Our access to external financing on reasonable terms depends on our credit ratings and current business conditions, including that of the utility and water utility industries in general, as well as conditions in the debt or equity capital markets and the national and international economic and geopolitical arenas. If these business, market, financial and other conditions deteriorate to the extent that we no longer are able to access the capital markets on reasonable terms, we have access to an unsecured revolving credit facility with aggregate bank commitments of $1.75 billion, with an expiration date of June 2020 (subject to extension by us for up to two one-year periods). We rely on this revolving credit facility and the capital markets to fulfill our short-term liquidity needs, to issue letters of credit and to support our commercial paper program. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit our ability to issue debt and equity securities in the capital markets. See "Credit Facility and Short-Term Debt" below for further discussion. In order to meet our short-term liquidity needs, we, through AWCC, our wholly owned financing subsidiary, issue commercial paper, which is supported by the revolving credit facility. AWCC had no outstanding borrowings and $88 million of outstanding letters of credit under its credit facility as of December 31, 2016. As of December 31, 2016, AWCC had $1.75 billion available under the credit facility that we could use to fulfill our short-term liquidity needs and to issue letters of credit, which supported our $849 million outstanding commercial paper. We believe that our ability to access the capital markets, our revolving credit facility and our cash flows from operations will generate sufficient cash to fund our short-term requirements. We have no plans to issue equity under normal operating conditions in the foreseeable future with the limited exception of privately or investor-owned tuck-in acquisitions whose sellers require equity as necessary to complete the acquisition. We believe we have sufficient liquidity and ability to manage our expenditures should there be a disruption of the capital and credit markets. However, there can be no assurances that our lenders will meet their existing commitments or that we will be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all.

In addition, our regulated subsidiaries receive advances and contributions from customers, home builders and real estate developers to fund construction necessary to extend service to new areas. Advances for construction are refundable for limited periods, which vary according to state regulations, as new customers begin to receive service or other contractual obligations are fulfilled. Amounts which are no longer refundable are reclassified to contributions in aid of construction. Utility plant funded by advances and contributions is excluded from our Regulated Businesses rate base. Generally, we depreciate contributed property and amortize contributions in aid of construction at the composite rate of the related property. Some of our subsidiaries do not depreciate contributed property, based on regulatory guidelines.

We use our capital resources, including cash, primarily to; (i) fund operating and capital requirements; (ii) pay interest and meet debt maturities; (iii) pay dividends; (iv) fund acquisitions; and (v) fund pension and postretirement benefit obligations. We invest a significant amount of cash on regulated capital projects where we expect to earn a long-term return on investment. Additionally, we operate in rate-regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Operating Segments—Regulated Businesses—Economic Regulation and Rate Making Process. We expect to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since we expect our capital investments over the next few years to be greater than or equal to our cash flows from operating activities, we have no plans to reduce debt significantly.

If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity, if necessary. In this event, we believe we can rely upon cash flows from operations to meet our obligations and fund our minimum required capital investments for an extended period of time.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the third quarter of each fiscal year. Our future cash flows provided by operating activities will be affected by, among other things, economic utility regulation; inflation; compliance with environmental, health and safety standards; production costs; customer growth; declining customer usage of water; employee-related costs, including pension funding; weather and seasonality; taxes; and overall economic conditions.

Cash flows provided by operating activities have been a reliable, steady source of funding, sufficient to meet operating requirements, make our dividend payments and fund a portion of our capital expenditure requirements. We expect to seek access to debt capital markets to meet the balance of our capital expenditure requirements as needed. We also have access to equity capital markets, if needed. Operating cash flows can be negatively affected by changes in our rate regulated environments or changes in our customers' economic outlook and ability to pay for service in a timely manner. As such, our working capital needs are primarily limited to funding increases in customer accounts receivable and unbilled revenues mainly associated with revenue increases in our Regulated Businesses. We can provide no assurance that our customers' historical payment pattern will continue in the future. Sometimes our current liabilities exceed current assets because of the Company's debt due within one year and the periodic use of short-term debt as a funding source primarily to meet scheduled maturities of long-term debt, as well as cash needs which can fluctuate significantly due to the seasonality of the business, stage of our acquisitions and construction projects. We address cash timing differences through the aforementioned liquidity funding mechanisms.

The following table provides a summary of the major items affecting our cash flows provided by operating activities:

	For the For the Years Ended December 31,		
	2016	2015	2014
		(In millions)	
Net income	$ 468	$ 476	$ 423
Add (subtract):			
Non-cash activities (a)	787	773	723
Impact of binding global agreement in principle	65	—	—
Changes in working capital (b)	9	(13)	3
Pension and postretirement benefit contributions	(53)	(57)	(52)
Net cash flows provided by operating activities	$ 1,276	$ 1,179	$ 1,097

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

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities.

In 2016, cash flows provided by operations increased $97 million primarily due to an increase in net income after non-cash adjustments and the impact of the binding global agreement in principle which is not expected to be paid until late 2017 or early 2018 and an increase in cash flows from working capital. The main factors contributing to net income increase are described in this section under "Comparison of Consolidated Results of Operations" and included higher operating revenue partially offset by higher operation and maintenance expense. The increase in non-cash activities was mainly the result of an increase in depreciation and amortization attributable to infrastructure investment projects placed into service. The change in working capital was primarily the result of the following: (1) a change in accounts receivable and unbilled revenues resulting from continuous improvement in our Regulated Businesses' collection efforts, as well as a decrease in unbilled revenues in our Military Services Group attributable to lower capital upgrades in 2016 as compared to the same period in 2015; (2) timing of accounts payable and accrued liabilities; and (3) change in other current assets and liabilities.

In 2015, cash flows provided by operations increased $82 million primarily due to higher net income mainly as a result of improved operating performance. The main factors of this increase are described in this section under "Comparison of Consolidated Results of Operations" and included higher operating revenue partially offset by higher operation and maintenance expense. The increase in non-cash activities were mainly the result of an increase in pensions/post-retirement benefit expense and higher deferred taxes. Pension/postretirement benefit expense increased in 2015 due to changes in actuarial assumptions, including the adoption of new mortality tables. The increase in deferred taxes was due to accelerated tax depreciation related to infrastructure investments. Offsetting these increases was a decrease in working capital which was principally driven by an increase in receivables and unbilled revenues due to higher customer rates; an increase in accounts payable and accrued liabilities, most of which was associated with the timing of payments and increase in accrued insurance; and a decrease in other current assets and liabilities, net which is the result of an increase in the book overdraft liability in 2014 for which there was no comparable change in 2015.

The Company expects to make pension and postretirement contributions to the plan trusts of $46 million in 2017, of which $11 million was already made in 2017. In addition, we estimate that contributions will amount to $43 million in 2018, $38 million in both 2019 and 2020 and $42 million in 2021. Actual amounts contributed could change materially from these estimates as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows Used in Investing Activities

Cash flows used in investing activities were as follows:

	For the For the Years Ended December 31,		
	2016	2015	2014
		(In millions)	
Net capital expenditures	$ (1,311)	$ (1,160)	$ (956)
Proceeds from sale of assets and securities	9	5	14
Acquisitions	(204)	(197)	(9)
Other investing activities, net (a)	(81)	(113)	(63)
Net cash flows used in investing activities	$ (1,587)	$ (1,465)	$ (1,014)

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

In 2016 and 2015, cash flows used in investing activities increased primarily due to an increase in our regulated capital expenditures, principally from incremental investments associated with the replacement and renewal of our transmission and distribution infrastructure.

Our infrastructure investment plan consists of both infrastructure renewal programs, where we replace infrastructure, as needed, and major capital investment projects, where we construct new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. Our projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

The following table provides a summary of our historical capital expenditures related to upgrading our infrastructure and systems:

	For the Years Ended December 31,		
	2016	2015	2014
		(In millions)	
Transmission and distribution	$ 568	$ 527	$ 463
Treatment and pumping	151	136	97
Services, meter and fire hydrants	297	214	170
General structure and equipment	202	174	142
Business transformation project	—	—	8
Sources of supply	59	53	31
Wastewater	34	56	45
Total capital expenditures	$ 1,311	$ 1,160	$ 956

In 2016, capital expenditures increased $151 million, or 13.0%, primarily due to the continued investment across the majority of our infrastructure categories.

In 2015, capital expenditures increased $204 million, or 21.3%, primarily due to continued investment across all infrastructure categories, mainly replacement and renewal of transmission and distribution infrastructure.

We also grow our business through acquisitions of water and wastewater systems, as well as other water-related services. These acquisitions are complementary to our existing business and support continued geographical diversification and growth of our operations. Generally, acquisitions are funded initially with short-term debt and later refinanced with the proceeds from long-term debt.

The following provides a summary of the acquisitions and dispositions affecting our cash flows from investing activities:

2016:

- Paid $199 million for 15 water and wastewater systems representing approximately 42,000 customers.
- Made a non-escrowed deposit of $5 million related to the pending McKeesport acquisition.
- Received $9 million for the sale of assets and securities.

2015:

- Paid $133 million for the acquisition of our ninety-five percent interest in Water Solutions Holdings, LLC, the parent company of Keystone.
- Paid $64 million for 14 water and wastewater systems representing approximately 24,000 customers.
- Received $5 million for the sale of assets and securities.

2014:

- Paid $9 million for 13 water and wastewater systems representing approximately 4,500 customers.
- Received $14 million for the sale of assets and securities.

As previously noted, we expect to invest in the range of $6.7 to $7.3 billion from 2017 through 2021. In 2017, we estimate that our total capital expenditures will be $1.5 billion, with $1.25 billion allocated to improving infrastructure in our Regulated Businesses segment and $220 million to $340 million for acquisitions and strategic capital investments, including construction of our corporate headquarters building as discussed below.

We are moving forward with our plan to construct a new corporate headquarters to consolidate our support services and certain of our employees in our Market-Based Businesses within a single location. On December 2, 2016, we closed on the acquisition of the land on Camden, New Jersey's waterfront and began construction. The cost of construction is currently estimated to be up to $165 million and exclusive of any tax incentives that the Company may receive.

Cash Flows from Financing Activities

Our financing activities, primarily focused on funding infrastructure construction expenditures, include the issuance of long-term and short-term debt, primarily through AWCC. In addition, new infrastructure may be funded with customer advances and contributions in aid of construction (net of refunds), which amounted to $16 million for the year ended December 31, 2016 and $26 million for the years ended December 31, 2015 and 2014. Based on the needs of our regulated subsidiaries and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provides those borrowings to the regulated subsidiaries and the Company. The regulated subsidiaries and the Company are obligated to pay their portion of the respective principal and interest to AWCC in the amount necessary to enable AWCC to meet its debt service obligations. Because the Company's borrowings are not a source of capital for the regulated subsidiaries, the Company is not able to recover the interest charges on the Company's debt through regulated water and wastewater rates. As of December 31, 2016, AWCC has made long-term fixed rate loans and commercial paper loans to our Regulated Businesses amounting to $3.6 billion and $600 million, respectively. Additionally, as of December 31, 2016, AWCC has made long-term fixed rate loans and commercial paper loans to the Company totaling $1.4 billion and $249 million, respectively.

On March 24, 2016, we entered into three forward starting swap agreements with an aggregate notional amount of $225 million to reduce interest rate exposure for a portion of the expected refinancing of our 6.085% fixed-rate long-term debt maturing in 2017. These forward starting swap agreements terminate in December 2017 and have an average fixed interest rate of 2.29%. On July 1, 2016, we entered into another forward starting swap agreement with a notional amount of $75 million at a 30-year fixed rate of 1.92% to reduce the average 30-year fixed rate on the total hedged notional amount of $300 million to 2.20%. On February 8, 2017, we entered into a forward starting swap agreement with a notional amount of $100 million to reduce interest rate exposure for a portion of the expected refinancing of our 5.62% fixed-rate long-term debt maturing in December 2018. This forward starting swap agreement terminates in November 2018 and has a fixed rate of 2.67%. Changes in the fair value of the forward starting swaps will be recognized in accumulated other comprehensive income (loss) until the agreement's termination date.

In May, 2015, the Company and AWCC filed with the SEC a universal shelf registration statement that enables us to meet our capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock and other equity securities, and AWCC debt types of securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration will expire in May 2018. During 2016, 2015 and 2014, $550 million, $550 million and $500 million, respectively, of debt securities were issued pursuant to this and predecessor registration statements.

The following long-term debt was issued in 2016:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp. (a)	Senior notes—fixed rate	3.00%-4.00%	2026-2046	$ 550
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	1.00%-1.36%	2026-2037	3
Total issuances				$ 553

(a) On November 17, 2016, AWCC completed an offering of its senior fixed rate notes. Proceeds from this offering were used to lend funds to the Company and its regulated utilities, to repay its commercial paper borrowings and for general corporate purposes.

In addition to the above issuances, we also assumed $6 million of debt as a result of an acquisition in 2016, which had a fixed interest rate of 1.00% and matures in 2037.

The following long-term debt was retired through optional redemption or payment at maturity during 2016:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Senior notes—fixed rate	5.52%	2016	$ 37
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.30%	2016-2041	104
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Total retirements and redemptions				$ 144

The following long-term debt was issued in 2015:

Company	Type	Rate	Maturity	Amount
AWCC (a)	Senior notes—fixed rate	3.40%-4.30%	2025-2045	$ 550
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	1.00%-1.56%	2032	15
Total issuances				$ 565

(a) On August 13, 2015, AWCC completed an offering of its senior fixed rate notes. Proceeds from this offering were used to lend funds to the Company and its regulated utilities, to refinance commercial paper borrowings and to finance redemptions of long-term debt.

In addition to the above issuances, we also assumed $1 million of debt as a result of an acquisition in 2015, which has a fixed interest rate of 1.00% and matures in 2040.

The following long-term debt was retired through optional redemption or payment at maturity during 2015:

Company	Type	Rate	Maturity	Amount
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-5.25%	2015-2031	$ 36
AWCC	Senior notes—fixed rate	6.00%	2015	30
Other American Water subsidiaries (a)	Private activity bonds and government funded debt—fixed rate	0.00%-5.40%	2015-2041	61
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	4
Total retirements and redemptions				$ 131

(a) Includes $2 million of non-cash redemptions resulting from the use of restricted funds.

The following long-term debt was issued in 2014:

Company	Type	Rate	Maturity	Amount
AWCC (a)	Senior notes—fixed rate	3.40%-4.30%	2025-2042	$ 500
Other subsidiaries (b)	Private activity bonds and government funded debt—fixed rate	0.00%-5.00%	2031-2033	10
Total issuances				$ 510

(a) On August 14, 2014, AWCC completed an offering of its senior fixed rate notes. Proceeds from this offering were used to lend funds to the Company and its regulated utilities, to refinance commercial paper borrowings and to finance redemptions of long-term debt.

(b) Proceeds from the above issuance were received in 2014 and have been utilized to fund certain specific projects. $10.0 million of these proceeds are held in trust pending our certification that we have incurred qualifying capital expenditures. These issuances have been presented as non-cash on the Consolidated Statements of Cash Flows. Subsequent releases of all or a lesser portion of the funds by the trust are reflected as the release of restricted funds and are included in the investing activities in the Consolidated Statements of Cash Flows.

In addition to the above issuances, we also assumed $2 million of debt as a result of acquisitions in 2014.

The following long-term debt was retired through optional redemption or payment at maturity during 2014:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate	6.00%-6.75%	2018-2032	$ 101
American Water Capital Corp.	Senior notes—fixed rate	6.00%	2039	59
Other American Water subsidiaries (a)	Private activity bonds and government funded debt—fixed rate	0.00%-5.25%	2014-2041	79
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Total retirements and redemptions				$ 241

(a) Includes $1.0 million of non-cash redemptions resulting from the use of restricted funds.

From time to time and as market conditions warrant, we may engage in long-term debt retirements via tender offers, open market repurchases or other viable alternatives to strengthen our balance sheets.

In February 2015, our Board of Directors authorized an anti-dilutive common stock repurchase program to mitigate the effect of shares issued through our dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and to facilitate the repurchases, the Company has also entered into a Rule 10b5-1 share repurchase plans with a third-party broker, which allows us to repurchase shares at times when we may otherwise be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel this repurchase program or the share repurchase parameters at its discretion. As of December 31, 2016, we have repurchased an aggregate of approximately 3.3 million shares of common stock under this program.

Credit Facility and Short-Term Debt

We have an unsecured revolving credit facility of $1.75 billion through June 2020. In March 2016, and under the terms of the revolving credit agreement dated June 30, 2015, AWCC exercised its right to increase its borrowing capacity available under our revolving credit facility from the aggregate maximum of $1.25 billion to $1.75 billion. All other terms, conditions and covenants with respect to the existing facility remained unchanged. On June 30, 2015, AWCC and its lenders extended the termination date of the revolving credit facility from October 2018 to June 2020. This amended and restated agreement also allowed AWCC to request to extend further the term of the credit facility for up to two one-year periods. An extension request must satisfy certain conditions and receive approval of the lenders, as set forth in the agreement.

Interest rates on advances under the facility are based on a credit spread to the Eurodollar rate or base rate in accordance with AWCC then-applicable Moody Investors Service or Standard & Poor's Ratings Services credit rating. At current ratings that spread would be 0.90%. The facility is used principally to support AWCC's commercial paper program and to provide up to $150 million in letters of credit. Indebtedness under the facility is considered "debt" for purposes of a support agreement between American Water and AWCC, which serves as a functional equivalent of a guarantee by American Water of AWCC's payment obligations under the credit facility.

AWCC also has an outstanding commercial paper program that is backed by the revolving credit facility, the maximum aggregate amount of which on March 22, 2016 was increased from $1.0 billion to $1.6 billion.

Keystone has its own line of credit facility with a maximum availability of up to $16 million dependent on a collateral base calculation. Borrowings under this facility are payable upon demand with interest being paid monthly. Interest accrues each day at a rate per annum equal to 2.75% above the greater of the one month or one day LIBOR. The borrowing base under the facility allows for financing up to the greater of the note or 80% of eligible accounts receivable. Based on the collateral assets at December 31, 2016, $6 million was available to borrow. At December 31, 2016, there were no outstanding borrowings.

The following table summarizes information regarding the Company's aggregate credit facility commitments, letter of credit sub-limits and available funds under those revolving credit facilities, as well as outstanding amounts of commercial paper and outstanding borrowings under the respective facilities as of December 31, 2016 and 2015:

	Credit Facility Commitment	Available Credit Facility Capacity	Letter of Credit Sublimit	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
			(In millions)			
December 31, 2016	$ 1,766	$ 1,668	$ 150	$ 62	$ 1,600	$ 751
December 31, 2015	1,266	1,182	150	68	1,000	374

The weighted-average interest rate on AWCC short-term borrowings for the years ended December 31, 2016 and 2015 was approximately 0.78% and 0.49%, respectively.

Capital Structure

The following table indicates the percentage of our capitalization represented by the components of our capital structure as of December 31:

	2016	2015	2014
Total common stockholders' equity	42.1%	43.5%	45.2%
Long-term debt and redeemable preferred stock at redemption value	46.4%	50.6%	50.1%
Short-term debt and current portion of long-term debt	11.5%	5.9%	4.7%
Total	100%	100%	100%

The changes in the capital structure between periods were mainly attributable to an increase in the current portion of long-term debt.

Debt Covenants

Our debt agreements contain financial and non-financial covenants. To the extent that we are not in compliance with these covenants, an event of default may occur under one or more debt agreements and we or our subsidiaries may be restricted in our ability to pay dividends, issue new debt or access our revolving credit facility. Our long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Our failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require us to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2016, our ratio was 0.58 to 1.00 and therefore we were in compliance with the covenants.

Security Ratings

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

Our long-term and short-term credit rating and rating outlook as of December 31, 2016 are as follows:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating Outlook	Stable	Stable
Senior unsecured debt	A3	A
Commercial paper	P2	A-1

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

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

Dividends

Our Board of Directors authorizes the payment of dividends. Our ability to pay dividends on our common stock is subject to having access to sufficient sources of liquidity, the net income and cash flows of our subsidiaries, the receipt of dividends and repayments of indebtedness from our subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements, and other factors. The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. Historically, dividends have been paid quarterly to holders of record approximately 15 days prior to the distribution date. Since the dividends on our common stock are not cumulative, only declared dividends are paid.

During 2016, 2015 and 2014, we paid $261 million, $239 million and $216 million in cash dividends, respectively. The following table summarizes the per share cash dividends paid for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
December	$ 0.375	$ 0.34	$ 0.31
September	$ 0.375	$ 0.34	$ 0.31
June	$ 0.375	$ 0.34	$ 0.31
March	$ 0.34	$ 0.31	$ 0.28

On December 9, 2016, our Board of Directors declared a quarterly cash dividend payment of $0.375 per share payable on March 1, 2017 to stockholders of record as of February 7, 2017.

Regulatory Restrictions

The issuance by the Company or AWCC of long-term debt or equity securities does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. However, state PUC authorization is required to issue long-term debt at most of our regulated subsidiaries. Our regulated subsidiaries normally obtain the required approvals on a periodic basis to cover their anticipated financing needs for a period of time or in connection with a specific financing.

Under applicable law, our subsidiaries can pay dividends only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the dividends that the subsidiary can distribute to us. Furthermore, the ability of our subsidiaries to pay upstream dividends or repay indebtedness to American Water is subject to compliance with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as

applicable corporate, tax and other laws and regulations, and other agreements or covenants made or entered into by American Water and its subsidiaries.

Insurance Coverage

We carry various property, casualty and financial insurance policies with limits, deductibles and exclusions that we believe are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going forward basis. We are self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on our short-term and long-term financial condition and our results of operations and cash flows.

Contractual Obligations and Commitments

We enter into contractual obligations with third parties in the ordinary course of business. Information related to our contractual obligations as of December 31, 2016 is summarized in the table below:

Contractual obligation	Total	1 year or Less	2-3 Years	4-5 years	More Than 5 years
			(In millions)		
Long-term debt obligations (a)	$ 6,312	$ 572	$ 620	$ 498	$ 4,622
Interest on long-term debt (b)	4,402	332	560	521	2,989
Operating lease obligations (c)	122	14	23	15	70
Purchase water obligations (d)	1,042	56	122	129	735
Other purchase obligations (e)	142	142	—	—	—
Postretirement benefit plans' obligations (f)	6	6	—	—	—
Pension plan obligations (f)	195	40	75	80	—
Preferred stocks with mandatory redemption requirements	12	2	3	3	4
Interest on preferred stock with mandatory redemption requirements	6	1	1	1	3
Other obligations (g)	1,102	337	302	101	362
Total	$ 13,341	$ 1,502	$ 1,706	$ 1,348	$ 8,785

Note: The above table reflects only financial obligations and commitments. Therefore, performance obligations associated with our Market-Based Businesses are not included in the above amounts. Also, uncertain tax positions of $169 million are not reflected in this table as we cannot predict when open tax years will close with completed examinations. See Note 13—Income Taxes in the Notes to the Consolidated Financial Statements.

(a) Represents sinking fund obligations, debt maturities and capital lease obligations.

(b) Represents expected interest payments on outstanding long-term debt. Amounts reported may differ from actual due to future financing of debt.

(c) Represents future minimum payments under non-cancelable operating leases, primarily for the lease of motor vehicles, buildings, land and other equipment including water facilities and systems constructed by partners under the Public-Private Partnerships described below.

(d) Represents future payments under water purchase agreements for minimum quantities of water.

(e) Represents the open purchase orders as of December 31, 2016, for goods and services purchased in the ordinary course of business.

(f) Represents contributions expected to be made to pension and postretirement benefit plans for the years 2017 through 2021.

(g) Includes an estimate of advances for construction to be refunded, capital expenditures estimated to be required under legal and binding contractual obligations, contracts entered into for energy purchases, a liability associated with a conservation agreement and service agreements.

Public-Private Partnerships

WVAWC has entered into a series of agreements with various public entities, which we refer to as the Partners, to establish certain joint ventures, commonly referred to as “public-private partnerships.” Under the public-private partnerships, WVAWC constructed utility plant, financed by WVAWC, and the Partners constructed utility plant (connected to WVAWC’s property), financed by the Partners. WVAWC agreed to transfer and convey some of its real and personal property to the Partners in exchange for an equal principal amount of Industrial Development Bonds, commonly referred to as IDBs, issued by the Partners under a state Industrial Development Bond and Commercial Development Act. WVAWC leased back the total facilities, including portions funded by both WVAWC and the Partners, under leases for a period of 40 years.

The leases have payments that approximate the payments required by the terms of the IDBs. These payments are considered “PILOT payments” which represent payments in lieu of taxes and approximate what WVAWC otherwise would pay as property taxes

on the properties. We have presented the transaction on a net basis in the consolidated financial statements. The carrying value of the transferred facilities, which is presented in property, plant and equipment in the Consolidated Balance Sheets, was approximately $152 million as of December 31, 2016.

Performance Obligations

We have entered into agreements for the provision of services to water and wastewater facilities for the United States military, municipalities and other customers. These military services agreements expire between 2051 and 2065 and have remaining performance commitments as measured by estimated remaining contract revenues of $3.1 billion as of December 31, 2016. The operations and maintenance agreements with municipalities and other customers expire between 2015 and 2048 and have remaining performance commitments as measured by estimated remaining contract revenue of $794 million as of December 31, 2016. Some of the Company's long-term contracts to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities include responsibility for certain major maintenance for some of the facilities, in exchange for an annual fee.

Critical Accounting Policies and Estimates

The application of critical accounting policies is particularly important to our financial condition and results of operations and provides a framework for management to make significant estimates, assumptions and other judgments. Although our management believes that these estimates, assumptions and other judgments are appropriate, they relate to matters that are inherently uncertain. Accordingly, changes in the estimates, assumptions and other judgments applied to these accounting policies could have a significant impact on our financial condition and results of operations as reflected in our consolidated financial statements.

Our financial condition, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Judgments made include anticipated recovery of costs, especially through regulated operations, the likelihood of success of particular projects, possible legal and regulatory challenges, assumptions made in regards to pension and other benefit and forecast assumptions utilized in goodwill impairment testing. Our management has reviewed these critical accounting policies, and the estimates and assumptions regarding them, with our audit committee. In addition, our management has also reviewed the following disclosures regarding the application of these critical accounting policies with the audit committee.

For further information, see Note 2—Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

Rate Regulation and Regulatory Accounting

Our regulated utility subsidiaries are subject to regulation by state PUCs and the local governments of the states in which they operate. As such, we follow the authoritative accounting principles required for rate regulated entities, which requires us to reflect the effects of rate regulation in our financial statements. Use of the authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service plus a return on net investment, or rate base. As of December 31, 2016, we concluded that the operations of our regulated subsidiaries met the criteria.

The application of the accounting principles has a further effect on the Company's financial statements as a result of the estimates of allowable costs used in the ratemaking process. We make significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgements include but are not limited to assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenue, these accounting principles allow a cost that would otherwise be charged as an expense by an unregulated entity to be capitalized as a regulatory asset if it is probable that such cost is recoverable through future rates; conversely, the principles allow creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future or amounts collected in excess of costs incurred and are refundable to customers. Regulators may also impose certain fines or penalties.

As of December 31, 2016, we have recorded $1.3 billion of regulatory assets and $403 million of regulatory liabilities within our consolidated financial statements. See Note 6—Regulatory Assets and Liabilities in the Notes to Consolidated Financial Statements for further information regarding the significant regulatory assets and liabilities.

For each regulatory jurisdiction where we conduct business, we assess at the end of each reporting period whether the regulatory assets and liabilities continue to meet the criteria for probable future recovery or settlement. This assessment includes consideration of factors such as changes in applicable regulatory environments, recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction, the status of any pending or potential legislation that could impact the ability to

recover costs through regulated rates. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or settlement, our statement of operations and financial position could be materially affected. In addition, if we conclude in a future period that a separable portion of the business no longer meets the criteria, we are required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the consolidated financial statements. Failure to meet the criteria of the authoritative guidance could materially impact our consolidated financial statements.

Goodwill

The Company has recorded $1.3 billion of goodwill at December 31, 2016 and 2015. The Company's annual impairment test is performed as of November 30 of each year, in conjunction with the timing of the completion of the Company's annual business plan. The Company also undertakes interim reviews when the Company determines that a triggering event that would more likely than not reduce the fair value of a reporting unit below its carrying value has occurred.

Entities assessing goodwill for impairment have the option of first performing a qualitative assessment to determine whether a quantitative assessment is necessary. In performing a qualitative assessment, the Company assess and makes judgments, among other things around, macroeconomic conditions, industry and market considerations, overall financial performance, cost factors and entity specific events. If an entity determines, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not greater than the carrying amount, no further testing is required. If the entity bypasses the qualitative assessment or performs the qualitative assessment, but determines that it is more likely than not that its fair value is less than its carrying amount, a quantitative two-step, fair value-based test is performed.

The first step compares the estimated fair value of the reporting unit to its respective net carrying values, including goodwill, on the measurement date. If the estimated fair value of any reporting unit is less than such reporting unit's carrying value, then the second step is performed to measure the amount of the impairment loss (if any) for such reporting unit.

The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation accounting guidance in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount for the reporting unit, an impairment loss is recorded as a reduction to goodwill and a charge to operating expense. Application of the goodwill impairment test requires significant management judgment, including the identification of reporting units and determining the fair value of the reporting unit. Management estimates fair value using a combination of a discounted cash flow analysis and market multiples analysis. Significant assumptions used in these fair value analyses include, but are not limited to, discount and growth rates and projected terminal values.

For further information, see Note 7—Goodwill and Other Intangible Assets in the Notes to the Consolidated Financial Statements.

Impairment of Long-Lived Assets

Long-lived assets include land, buildings, equipment and long-term investments. Long-lived assets, other than investments and land, are depreciated over their estimated useful lives, and are reviewed for impairment whenever changes in circumstances indicate the carrying value of the asset may not be recoverable. Such circumstances would include items such as a significant decrease in the market value of a long-lived asset, a significant adverse change in the manner in which the asset is being used or planned to be used or in its physical condition, or a history of operating or cash flow losses associated with the use of the asset. In addition, changes in the expected useful life of these long-lived assets may also be an impairment indicator. When such events or changes occur, we estimate the fair value of the asset from future cash flows expected to result from the use and, if applicable, the eventual disposition of the assets, and compare that to the carrying value of the asset. If the carrying value is greater than the fair value, an impairment loss is recognized equal to the amount by which the asset's carrying value exceeds its fair value. The key variables that must be estimated include assumptions regarding sales volume, rates, operating costs, labor and other benefit costs, capital additions, assumed discount rates and other economic factors. These variables require significant management judgment and include inherent uncertainties since they are forecasting future events. A variation in the assumptions used could lead to a different conclusion regarding the realizability of an asset and, thus, could have a significant effect on the consolidated financial statements.

The long-lived assets of the regulated utility subsidiaries are grouped on a separate entity basis for impairment testing as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The fair values of long-term investments are dependent on the financial performance and solvency of the entities in which we invest, as well as volatility inherent in the external markets. In assessing potential impairment for these investments, we consider these

factors. If such assets are considered impaired, an impairment loss is recognized equal to the amount by which the asset's carrying value exceeds its fair value.

Revenue Recognition

Revenues of the regulated utility subsidiaries are recognized as water and wastewater services are delivered to customers and include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the meter reading associated with the latest customer bill to the end of the accounting period. Unbilled utility revenues as of December 31, 2016 and 2015 were $161 million and $144 million, respectively. Increases or decrease in volumes delivered to the utilities' customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. Changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the estimated unbilled revenue.

Revenue from Market-Based Businesses is recognized as services are rendered. Revenues from certain construction projects are recognized over the contract term based on the costs incurred to date during the period compared to the total estimated costs over the entire contract. Losses on contracts are recognized during the period in which the loss first becomes probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenue. Unbilled market-based revenues as of December 31, 2016 and 2015 were $102 million and $123 million, respectively. Billings in excess of revenues recognized on construction contracts are recorded as other current liabilities on the balance sheet until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of net operating loss carryforwards.

In accordance with applicable authoritative guidance, we account for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the consolidated financial statements.

We evaluate the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and our intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. We also assess our ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. We record valuation allowances for deferred tax assets when we conclude it is more-likely-than-not such benefit will not be realized in future periods.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, our forecasted financial condition and results of operations, failure to successfully implement tax planning strategies, recovery of taxes through the regulatory process for our Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. While we believe the resulting tax balances as of December 31, 2016 and 2015 are appropriately accounted for in accordance with the applicable authoritative guidance, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to our consolidated financial statements and such adjustments could be material. See Note 13—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

We maintain noncontributory defined benefit pension plans covering eligible employees of our regulated utility and shared service operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined

contribution plan. We also maintain other postretirement benefit plans, which provide varying levels of medical and life insurance for eligible retirees. These retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company also has several unfunded noncontributory supplemental non-qualified pension plans that provide additional retirement benefits to certain employees. The Company does not participate in a multiemployer plan. See Note 14—Employee Benefits in the Notes to Consolidated Financial Statements for further information regarding the accounting for the defined benefit pension plans and postretirement benefit plans. The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due;
- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs we record currently;
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement;
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care; and
- Mortality—In 2014, management adopted a table based on the Society of Actuaries RP 2014 mortality table including a generational BB-2D projection scale.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. We use an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. The yield curve was developed for a portfolio containing the majority of United States-issued AA-graded non-callable (or callable with make-whole provisions) corporate bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The discount rate for determining pension benefit obligations was 4.28%, 4.66% and 4.24% at December 31, 2016, 2015 and 2014, respectively. The discount rate for determining other post-retirement benefit obligations was 4.26%, 4.67% and 4.24% at December 31, 2016, 2015 and 2014, respectively.

In selecting an expected return on plan assets, we considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The long-term EROA assumption used in calculating pension cost was 7.02% for 2016, 6.91% for 2015, and 6.91% for 2014. The weighted average EROA assumption used in calculating other postretirement benefit costs was 5.37% for 2016, 4.92% for 2015 and 5.87% for 2014.

The asset allocations for the Company's U.S. pension plan by asset category were as follows:

Asset Category	Target Allocation 2017	Percentage of Plan Assets as of December 31, 2016	2015
Equity securities	52%	49%	50%
Fixed income	40%	42%	41%
Real Estate	6%	7%	7%
Real estate investment trusts ("REITs")	2%	2%	2%
Total	100%	100%	100%

The investment policy guidelines of the pension plan require that the fixed income portfolio has an overall weighted average credit rating of AA or better by Standard & Poor's and the minimum credit quality for fixed income securities must be BBB- or better. Up to 20% of the portfolio may be invested in collateralized mortgage obligations backed by the United States Government.

The Company's other postretirement benefit plans are partially funded. The asset allocations for the Company's other postretirement benefit plans by asset category were as follows:

Asset Category	Target Allocation 2017	Percentage of Plan Assets as of December 31, 2016	2015
Equity securities	32%	33%	32%
Fixed income	68%	67%	68%
REITs	—	—	—
Total	100%	100%	100%

The Company's investment policy, and related target asset allocation, is evaluated periodically through asset liability studies. The studies consider projected cash flows of maturity liabilities, projected asset class return risk, and correlation and risk tolerance.

The pension and postretirement welfare plan trusts investments include debt and equity securities held either directly or through commingled funds. The trustee for the Company's defined benefit pension and postretirement welfare plans uses independent valuation firms to calculate the fair value of plan assets. Additionally, the Company independently verifies the assets values. Approximately 44.8% of the assets are valued using the quoted market price for the assets in an active market at the measurement date, while 55.2% of the assets are valued using other inputs.

In selecting a rate of compensation increase, we consider past experience in light of movements in inflation rates. Our rate of compensation increase was 3.07% for 2016, 3.10% for 2015 and 3.12% for 2014.

In selecting health care cost trend rates, we consider past performance and forecasts of increases in health care costs. Our health care cost trend rate used to calculate the periodic cost was 6.50% in 2016 gradually declining to 5.00% in 2021 and thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. The health care cost trend rate is based on historical rates and expected market conditions. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

Change in Actuarial Assumption	Impact on Other Postretirement Benefit Obligation as of December 31, 2016	Impact on 2016 Total Service and Interest Cost Components
	(In millions)	
Increase assumed health care cost trend by 1%	$ 74	$ 7
Decrease assumed health care cost trend by 1%	$ (61)	$ (6)

We will use a discount rate and EROA of 4.28% and 6.49%, respectively, for estimating our 2017 pension costs. Additionally, we will use a discount rate and expected blended return based on weighted assets of 4.26% and 5.09%, respectively, for estimating our 2017 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase our pension expense. Our 2016 and 2015 pension and postretirement benefit costs were $54 million and $61 million, respectively. The Company expects to make pension and postretirement benefit contributions to the plan trusts of $39 million, $37 million, $38 million, $38 million and $42 million in 2017, 2018, 2019, 2020 and 2021, respectively. Actual amounts contributed could change significantly from these estimates. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards. As these assumptions change from period to period, recorded pension and postretirement benefit amounts and funding requirements could also change.

Accounting for Contingencies

We record loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss can be reasonably estimated. The determination of a loss contingency is based on management judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limed to: the nature of the litigation, claim or assessment, available information, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. We provide disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. We provide estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement of contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the consolidated financial statements. For a discussion of contingencies, see Note 15—Commitments and Contingencies in the Notes to Consolidated Financial Statements.

New Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk associated with changes in commodity prices, equity prices and interest rates. We are exposed to risks from changes in interest rates as a result of our issuance of variable and fixed rate debt and commercial paper. We manage our interest rate exposure by limiting our variable rate exposure and by monitoring the effects of market changes in interest rates. We also have the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps, swaptions and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2016, a hypothetical increase of interest rates by 1% associated with our short-term borrowings would result in a $9 million increase in short-term interest expense.

In July 2010, we entered into an interest rate swap agreement with a notional amount of $100 million. This agreement effectively converted the interest on $100 million of outstanding 6.085% fixed rate debt maturing 2017 to a variable rate of six-month LIBOR plus 3.422%. We entered into this interest rate swap to mitigate interest cost at the parent company relating to debt that was incurred by our prior owners and was not used in any manner to finance the cash needs of our subsidiaries. The interest rate swap reduced interest expense by $2 million for the years ended December 31, 2016, 2015 and 2014. As the swap interest rates are fixed through April 2017, a hypothetical 1% increase in the interest rates associated with the interest rate swap agreement would result in a $1 million increase in interest expense for the year ended December 31, 2016. This calculation holds all other variables constant and assumes only the discussed changes in interest rates.

The Company has four forward starting swap agreements with an aggregate notional amount of $300 million to reduce interest rate exposure on debt expected to be issued in 2017. The forward starting swap agreements terminate in December 2017 and have an average fixed rate of 2.20%. When entering into forward starting interest rate swaps, the Company is subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the forward starting interest rate swaps. We manage market risk by matching terms of the swaps with the critical terms of the expected debt issuance. The fair value of the forward starting swaps at December 31, 2016 was $27 million. A hypothetical 1.00% adverse change in interest rates would result in a decrease in the fair value of our forward starting swaps of approximately $65 million at December 31, 2016.

Our risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on our results of operations, financial position and cash flows.

The market price of our common stock may experience fluctuations, which may be unrelated to our operating performance. In particular, our stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for us to access the capital markets in the future through additional offerings of our common stock, regardless of our financial performance, and such difficulty may preclude us from being able to take advantage of certain business opportunities or meet business obligations.

We are exposed to credit risk through our water, wastewater and other water-related services provided by our Regulated Businesses and Market-Based Businesses. Our Regulated Businesses serve residential, commercial, industrial and other customers while our Market-Based Businesses engage in business activities with developers, government entities and other customers. Our primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. Our credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. Our credit portfolio is diversified with no significant customer or industry concentrations. In addition, our Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset value can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Our risk is reduced through our ability to recover pension and other benefit costs through rates. In addition, pension and other benefits liabilities decrease as fixed income asset values decrease (fixed income yields rise) since the rate at which we discount pension and other retirement trust asset future obligations is highly correlated to fixed income yields.

We are also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which we operate. The credit quality of our customer accounts receivable is dependent on the economy and the ability of our customers to manage through unfavorable economic cycles and other market changes. In addition, as a result of the downturn in the economy and heightened sensitivity of the impact of additional rate increases on certain customers, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, our ability to fully recover operating expense, recover our investment and provide an appropriate return on invested capital made in our Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive income, of cash flows, and of changes in stockholders' equity present fairly, in all material respects, the financial position of American Water Works Company, Inc. and Subsidiary Companies at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 21, 2017

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2016	December 31, 2015
ASSETS		
Property, plant and equipment	$ 19,954	$ 18,504
Accumulated depreciation	(4,962)	(4,571)
Property, plant and equipment, net	14,992	13,933
Current assets:		
Cash and cash equivalents	75	45
Restricted funds	20	21
Accounts receivable, net	269	255
Unbilled revenues	263	267
Materials and supplies	39	38
Other	118	31
Total current assets	784	657
Regulatory and other long-term assets:		
Regulatory assets	1,289	1,271
Goodwill	1,345	1,302
Other	72	78
Total regulatory and other long-term assets	2,706	2,651
TOTAL ASSETS	$ 18,482	$ 17,241

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2016	December 31, 2015
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 181,798,555 and 180,907,483 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,388	6,351
Accumulated deficit	(873)	(1,073)
Accumulated other comprehensive loss	(86)	(88)
Treasury stock, at cost (3,701,867 and 2,625,112 shares respectively)	(213)	(143)
Total common stockholders' equity	5,218	5,049
Long-term debt	5,749	5,862
Redeemable preferred stock at redemption value	10	12
Total long-term debt	5,759	5,874
Total capitalization	10,977	10,923
Current liabilities:		
Short-term debt	849	628
Current portion of long-term debt	574	54
Accounts payable	154	126
Accrued liabilities	609	493
Taxes accrued	31	26
Interest accrued	63	62
Other	112	144
Total current liabilities	2,392	1,533
Regulatory and other long-term liabilities:		
Advances for construction	300	349
Deferred income taxes, net	2,596	2,310
Deferred investment tax credits	23	24
Regulatory liabilities	403	402
Accrued pension expense	419	342
Accrued postretirement benefit expense	87	169
Other	67	68
Total regulatory and other long-term liabilities	3,895	3,664
Contributions in aid of construction	1,218	1,121
Commitments and contingencies (See Note 15)	—	—
TOTAL CAPITALIZATION AND LIABILITIES	$ 18,482	$ 17,241

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2016	2015	2014
Operating revenues	$ 3,302	$ 3,159	$ 3,011
Operating expenses:			
Operation and maintenance	1,504	1,404	1,350
Depreciation and amortization	470	440	424
General taxes	258	243	236
Gain on asset dispositions and purchases	(10)	(3)	(2)
Total operating expenses, net	2,222	2,084	2,008
Operating income	1,080	1,075	1,003
Other income (expense):			
Interest, net	(325)	(308)	(299)
Other, net	15	15	6
Total other income (expense)	(310)	(293)	(293)
Income from continuing operations before income taxes	770	782	710
Provision for income taxes	302	306	280
Income from continuing operations	468	476	430
Loss from discontinued operations, net of tax	—	—	(7)
Net income attributable to common stockholders	$ 468	$ 476	$ 423
Basic earnings per share: (a)			
Income from continuing operations	$ 2.63	$ 2.66	$ 2.40
Loss from discontinued operations, net of tax	$ —	$ —	$ (0.04)
Net income attributable to common stockholders	$ 2.63	$ 2.66	$ 2.36
Diluted earnings per share: (a)			
Income from continuing operations	$ 2.62	$ 2.64	$ 2.39
Loss from discontinued operations, net of tax	$ —	$ —	$ (0.04)
Net income attributable to common stockholders	$ 2.62	$ 2.64	$ 2.35
Weighted average common shares outstanding			
Basic	178	179	179
Diluted	179	180	180
Dividends declared per common share	$ 1.50	$ 1.36	$ 1.24

(a) Amounts may not sum due to rounding.

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2016	2015	2014
Net income attributable to common stockholders	$ 468	$ 476	$ 423
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $(14), $(6) and $(29) in 2016, 2015 and 2014, respectively	(21)	(10)	(46)
Pension amortized to periodic benefit cost:			
Actuarial loss, net of tax of $4 and $3 in 2016 and 2015, respectively	6	5	—
Foreign currency translation adjustment	—	(1)	—
Unrealized gain (loss) on cash flow hedges, net of tax of $10 and $(1) in 2016 and 2014, respectively	17	—	(1)
Net other comprehensive income (loss)	2	(6)	(47)
Comprehensive income attributable to common stockholders	$ 470	$ 470	$ 376

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2016	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 468	$ 476	$ 423
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	470	440	424
Deferred income taxes and amortization of investment tax credits	282	296	254
Provision for losses on accounts receivable	27	32	37
Gain on asset dispositions and purchases	(10)	(3)	(2)
Pension and non-pension postretirement benefits	54	61	24
Other non-cash, net	(36)	(53)	(14)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(31)	(84)	(62)
Pension and non-pension postretirement benefit contributions	(53)	(57)	(52)
Accounts payable and accrued liabilities	60	80	27
Other current assets and liabilities, net	(20)	(9)	38
Impact of binding global agreement in principle	65	—	—
Net cash provided by operating activities	1,276	1,179	1,097
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,311)	(1,160)	(956)
Acquisitions, net of cash acquired	(204)	(197)	(9)
Proceeds from sale of assets and securities	9	5	14
Removal costs from property, plant and equipment retirements, net	(84)	(107)	(78)
Net funds (restricted) released	3	(6)	15
Net cash used in investing activities	(1,587)	(1,465)	(1,014)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	553	565	501
Repayments of long-term debt	(144)	(130)	(240)
Proceeds from short-term borrowings with maturities greater than three months	—	60	35
Repayments of short-term borrowings with maturities greater than three months	—	(60)	(256)
Net short-term borrowings with maturities less than three months	221	180	41
Proceeds from issuances of employee stock plans and DRIP	26	39	21
Advances and contributions for construction, net of refunds of $31, $23 and $21 in 2016, 2015 and 2014, respectively	16	26	26
Debt issuance costs	(5)	(7)	(5)
Dividends paid	(261)	(239)	(216)
Anti-dilutive share repurchases	(65)	(126)	—
Tax benefit realized from equity compensation	—	—	6
Net cash provided by (used in) financing activities	341	308	(87)
Net increase (decrease) in cash and cash equivalents	30	22	(4)
Cash and cash equivalents at beginning of period	45	23	27
Cash and cash equivalents at end of period	$ 75	$ 45	$ 23
Cash paid during the year for:			
Interest, net of capitalized amount	$ 327	$ 309	$ 301
Income taxes, net of refunds of $0, $1 and $4 in 2016, 2015 and 2014, respectively	$ 16	$ 12	$ 16
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 171	$ 224	$ 186

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Stockholders' Equity
(In millions)

	Common Stock				Accumulated Other	Treasury Stock		Total
	Shares	Par Value	Paid-in Capital	Accumulated Deficit	Comprehensive Loss	Shares	At Cost	Stockholders' Equity
Balance as of December 31, 2013	178.4	$ 2	$ 6,262	$ (1,496)	$ (35)	(0.1)	$ (5)	$ 4,728
Net income	—	—	—	423	—	—	—	423
Direct stock reinvestment and purchase plan	0.1	—	2	—	—	—	—	2
Employee stock purchase plan	0.1	—	5	—	—	—	—	5
Stock-based compensation activity	0.9	—	33	(1)	—	(0.1)	(6)	26
Net other comprehensive income (loss)	—	—	—	—	(47)	—	—	(47)
Dividends	—	—	—	(222)	—	—	—	(222)
Balance as of December 31, 2014	179.5	$ 2	$ 6,302	$ (1,296)	$ (82)	(0.2)	$ (11)	$ 4,915
Cumulative effect of change in accounting principle	—	—	—	(8)	—	—	—	(8)
Net income attributable to common stockholders	—	—	—	476	—	—	—	476
Direct stock reinvestment and purchase plan	0.1	—	4	—	—	—	—	4
Employee stock purchase plan	0.1	—	5	—	—	—	—	5
Stock-based compensation activity	1.2	—	40	(1)	—	(0.1)	(6)	33
Repurchases of common stock	—	—	—	—	—	(2.3)	(126)	(126)
Net other comprehensive income (loss)	—	—	—	—	(6)	—	—	(6)
Dividends	—	—	—	(244)	—	—	—	(244)
Balance as of December 31, 2015	180.9	$ 2	$ 6,351	$ (1,073)	$ (88)	(2.6)	$ (143)	$ 5,049
Net income attributable to common stockholders	—	—	—	468	—	—	—	468
Direct stock reinvestment and purchase plan	0.1	—	5	—	—	—	—	5
Employee stock purchase plan	0.1	—	7	—	—	—	—	7
Stock-based compensation activity	0.7	—	25	(1)	—	(0.1)	(5)	19
Repurchases of common stock	—	—	—	—	—	(1.0)	(65)	(65)
Net other comprehensive income (loss)	—	—	—	—	2	—	—	2
Dividends	—	—	—	(267)	—	—	—	(267)
Balance as of December 31, 2016	181.8	$ 2	$ 6,388	$ (873)	$ (86)	(3.7)	$ (213)	$ 5,218

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

American Water Works Company, Inc. and Subsidiary Companies

Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is the holding company for regulated and market-based subsidiaries throughout the United States and Ontario, Canada. The Regulated Businesses provide water and wastewater services as public utilities in 16 states in the United States. The Market-Based Businesses is comprised of four non-reportable operating segments including Military Services Group, which conducts operation and maintenance ("O&M") of water and wastewater systems for military bases; Contract Operations Group, which conducts O&M of water and wastewater facilities for municipalities and the food and beverage industry; Homeowner Services Group, which primarily provides water and sewer line protection plans for homeowners; and Keystone, which provides water services for natural gas exploration and production companies.

Note 2: Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany accounts and transactions. Intercompany balances and transactions between subsidiaries have been eliminated. The Company uses the equity method to report its investments in joint ventures in which the Company holds up to a 50% voting interest and cannot exercise control over the operations and policies of the investments. Under the equity method, the Company records its interests as an investment and its percentage share of the investee's earnings as earnings or losses.

In July 2015, the Company acquired a ninety-five percent interest in Water Solutions Holdings, LLC, including its wholly-owned subsidiary, Keystone Clearwater Solutions, LLC (collectively referred to as "Keystone"). The outside stockholders' interest, which is redeemable at the option of the minority owners, is recognized as redeemable noncontrolling interest. The redeemable noncontrolling interest amounted to $7 as of December 31, 2016 and 2015, and is included in other long-term liabilities in the accompanying Consolidated Balance Sheets. The net loss attributable to the noncontrolling interest was not significant. The Company has entered into an agreement, whereby it has the option to acquire from the minority owners, and the minority owners have the option to sell to the Company, the remaining five percent interest at fair value upon the occurrence of certain triggering events or at the defined date of December 31, 2018.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The Company considers its critical accounting estimates to include: the application of regulatory accounting principles and the related determination and estimates of regulatory assets and liabilities; estimates used in impairment testing of goodwill and other long-lived assets, including regulatory assets; revenue recognition; accounting for income taxes; benefit plan assumptions; and contingent liabilities. The Company's critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, benefit plans assumptions, contingency-related obligations and goodwill.

Regulation

The Company's regulated utilities are subject to economic regulation by the public utility commissions and the local governments of the states in which they operate (the "PUCs"). These PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also impose certain penalties or grant certain incentives. Due to timing and other differences in the collection of utility revenue, an incurred cost that would otherwise be charged to expense by a non-regulated entity is to be deferred as a regulatory asset if it is probable that the cost is recoverable in future rates. Conversely, GAAP requires recording of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future or amounts collected in excess of costs incurred and refundable to customers. See Note 6—Regulatory Assets and Liabilities.

Property, Plant and Equipment

Property, plant and equipment consist primarily of utility plant. Additions to utility plant and replacements of retirement units of property are capitalized. Costs include material, direct labor and such indirect items as engineering and supervision, payroll taxes and benefits, transportation and an allowance for funds used during construction ("AFUDC"). The cost of repairs, maintenance, including planned major maintenance activities, and minor replacements is charged to maintenance expense as incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to $345 and $311 as of December 31, 2016 and 2015, respectively.

When units of property are replaced, retired or abandoned, the recorded value is credited to the asset account and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The cost of property, plant and equipment is depreciated using the straight-line average remaining life method. The Company's regulated utility subsidiaries record depreciation in conformity with amounts approved by state regulators after regulatory review of information the Company submits to support its estimates of the assets' remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Company for internal operations. This property is stated at cost, net of accumulated depreciation calculated using the straight-line method over the useful lives of the assets.

Cash and Cash Equivalents

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted Funds

Restricted funds primarily represent proceeds from financings for the construction and capital improvement of facilities and deposits for future services under O&M projects. The proceeds from these financings are held in escrow until the designated expenditures are incurred. Classification of restricted funds in the Consolidated Balance Sheets as either current or long-term is based upon the intended use of the funds.

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers on a cycle basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are market-based trade accounts receivable and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due and previous loss history. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 5—Allowance for Uncollectible Accounts.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized, but is tested for impairment at least annually or on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Goodwill is primarily associated with the acquisitions of E'town Corporation in 2001, American Water in 2003 and Keystone in 2015 (the "Acquisitions") and has been assigned to reporting units based on the fair values at the date of the Acquisitions. The reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The Market-Based Businesses is comprised of four non-reportable reporting units. The Company's annual impairment test is performed as of November 30 of each year, in conjunction with the completion of the Company's annual business plan. The Company assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If based on qualitative factors, the fair value of the reporting unit is more likely than not greater than the carrying amount, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment, but determines that it is more likely than not that its fair value is less than its carrying amount, a quantitative two-step, fair value-based test is performed.

The first step compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. If the estimated fair value of any reporting unit is less than such reporting unit's carrying value, then the second step is performed to measure the amount of the impairment loss (if any) for such reporting unit.

The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation accounting guidance in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount for the reporting unit, an impairment loss is recorded as a reduction to goodwill and a charge to operating expense. Application of the goodwill impairment test requires management judgment, including the identification of reporting units and determining the fair value of the reporting unit. Management estimates fair value using a combination of a discounted cash flow analysis and market multiples analysis. Significant assumptions used in these fair value analyses include discount and growth rates and projected terminal values.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate. However, if experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the consolidated financial statements.

Long-Lived Assets

Long-lived assets include land, buildings, equipment and long-term investments. Long-lived assets, other than investments and land, are depreciated over their estimated useful lives, and are reviewed for impairment whenever changes in circumstances indicate the carrying value of the asset may not be recoverable. Such circumstances would include items such as a significant decrease in the market value of a long-lived asset, a significant adverse change in the manner the asset is being used or planned to be used or in its physical condition, or a history of operating or cash flow losses associated with the use of the asset. In addition, changes in the expected useful life of these long-lived assets may also be an impairment indicator. When such events or changes occur, the Company estimates the fair value of the asset from future cash flows expected to result from the use and, if applicable, the eventual disposition of the asset and compares that to the carrying value of the asset. If the carrying value is greater than the fair value, an impairment loss is recorded.

The Company believes the assumptions and other considerations used to evaluate the carrying value of long-lived assets are appropriate. However, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the consolidated financial statements.

The key variables to determine fair value include assumptions regarding sales volume, rates, operating costs, labor and other benefit costs, capital additions, assumed discount rates and other economic factors. These variables require significant management judgment and include inherent uncertainties, since they are forecasting future events. If such assets are considered impaired, an impairment loss is recognized equal to the amount by which the asset's carrying value exceeds its fair value.

The long-lived assets of the regulated utility subsidiaries are tested on a separate entity basis for impairment testing as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company holds other investments including investments in privately held companies and investments in joint ventures accounted for using the equity method. The Company's investments in privately held companies and joint ventures are classified as other long-term assets in the accompanying Consolidated Balance Sheets.

The fair values of long-term investments are dependent on the financial performance and solvency of the entities in which the Company invests, as well as volatility inherent in the external markets. If such assets are considered impaired, an impairment loss is recognized equal to the amount by which the asset's carrying value exceeds its fair value.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2016 and 2015 in the accompanying Consolidated Balance Sheets are estimated refunds of $21 and $19, respectively. Those amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $27, $26 and $24 for the years ended December 31, 2016, 2015 and 2014, respectively.

Recognition of Revenues

Revenues of the regulated utility subsidiaries are recognized as water and wastewater services are provided, and include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the meter reading associated with the latest customer bill to the end of the accounting period. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

The Company has agreements with the U.S. Department of Defense to operate and maintain water and wastewater systems at various military bases pursuant to 50-year contracts ("military agreements"). These contracts also include construction components that are accounted for separately from the O&M components. Nine of the military agreements are subject to periodic price redetermination adjustments and modifications for changes in circumstance. The remaining three agreements are subject to annual price adjustments under a mechanism similar to price redeterminations. Additionally, the Company has agreements ranging in length from two to 40 years with municipalities and businesses in various industries to operate and maintain water and wastewater systems ("O&M agreements"). Revenues from operations and management services are recognized as services are provided. See Note 15—Commitments and Contingencies.

Revenues from construction projects are recognized over the contract term based on the costs incurred to date during the period compared to the total estimated costs over the entire contract. Losses on contracts are recognized during the period in which the loss first becomes probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenue. Billings in excess of revenues recognized on construction contracts are recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined.

Income Taxes

American Water and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net in the accompanying Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other income (expenses) in the accompanying Consolidated Statements of Operations. AFUDC is summarized in the following table for the years ended December 31:

	2016	2015	2014
Allowance for other funds used during construction	$ 15	$ 13	$ 9
Allowance for borrowed funds used during construction	6	8	6

Environmental Costs

The Company's water and wastewater operations are subject to U.S. federal, state, local and foreign requirements relating to environmental protection, and as such, the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued, on an undiscounted basis, when it is probable that these costs will be incurred and can be reasonably estimated. The Company agreed to pay $1 annually commencing in 2010 with the final payment being made in 2016. Remediation costs accrued amounted to $0 and $1 as of December 31, 2016 and 2015, respectively. The accrual relates entirely to a conservation agreement entered into by a subsidiary of the Company with the National Oceanic and Atmospheric Administration ("NOAA") requiring the Company to, among other provisions, implement certain measures to protect the steelhead trout and its habitat in the Carmel River watershed in the State of California.

Derivative Financial Instruments

The Company uses derivative financial instruments for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company may designate the derivative as a hedge of the fair value of a recognized asset or liability (fair-value hedge) or a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

Changes in the fair value of a fair-value hedge, along with the gain or loss on the underlying hedged item, are recorded in current-period earnings. The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities in the accompanying Consolidated Statements of Cash Flows.

New Accounting Standards

The following recently issued accounting standards have been adopted by the Company as of December 31, 2016:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Accounting for Fees Paid in a Cloud Computing Arrangement	Clarified accounting guidance for fees paid in a cloud computing arrangement. Software license elements in a cloud computing arrangement should be accounted for consistent with other software licenses. A cloud computing arrangement without a software license is accounted for as a service contract.	January 1, 2016	Prospective basis	Adoption of this standard did not impact the Company's results of operations, financial position or cash flows.

The following recently issued accounting standards have not yet been adopted by the Company as of December 31, 2016:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Simplification of Employee Share-Based Payment Accounting	Simplified accounting and disclosure requirements for share-based payment awards. The updated guidance addresses: (i) the recognition of excess tax benefits and deficiencies; (ii) the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows; (iii) election of an accounting policy for forfeitures; and (iv) the amount an employer can withhold to cover income taxes and still qualify for equity classification. The new guidance requires all tax related cash flows resulting from share-based payments to be reported as cash provided by operating activities in the Consolidated Statements of Cash Flows.	January 1, 2017	Alternative transition methods available	The cumulative effect to retained earnings prior to 2017 will be an increase of approximately $21, with an offsetting decrease to deferred income taxes, net.
Revenue from Contracts with Customers	Updated authoritative guidance that changes the criteria for recognizing revenue from a contract with a customer. The new standard replaces existing guidance on revenue recognition, including most industry specific guidance. The objective of the updated standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows.	January 1, 2018; early adoption permitted	Retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance (modified retrospective method)	The Company is evaluating the impact on the consolidated financial statements and related disclosures, as well as the transition method to be used to adopt the guidance. The Company is also considering the impacts of the new standard on its accounting for contributions in aid of construction. The Company does not expect to early adopt.
Classification of Certain Cash Receipts and Cash Payments on the Statement of Cash Flows	Provided guidance on the presentation and classification in the statement of cash flows for the following cash receipts and payments: (i) debt prepayment or debt extinguishment costs; (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (iii) contingent consideration payments made after a business combination; (iv) proceeds from the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (vi) distributions received from equity method investees; (vii) beneficial interests in securitization transactions; and (viii) separately identifiable cash flows and application of the predominance principle.	January 1, 2018; early adoption permitted	Retrospective	The Company does not anticipate significant impacts on its Statements of Cash Flows based on this standard update.
Presentation of Changes in Restricted Cash on the Statement of Cash Flows	Updated the accounting and disclosure guidance for the classification and presentation of changes in restricted cash on the statement of cash flows. The amended guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will now be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows	January 1, 2018; early adoption permitted	Retrospective	The Company does not anticipate significant impacts on its Statements of Cash Flows based on this standard update.
Clarifying the Definition of a Business	Updated the accounting guidance to clarify the definition of a business with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions, or disposals, of assets or businesses.	January 1, 2018; early adoption permitted	Prospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures.
Accounting for Leases	Updated the accounting and disclosure guidance for leasing arrangements. Under this guidance, a lessee will be required to recognize the following for all leases, excluding short-term leases, at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the guidance, lessor accounting is largely unchanged.	January 1, 2019; early adoption permitted	Modified retrospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures, as well as the timing of adoption.
Simplification of Goodwill Impairment Testing	Updated authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in the update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying value exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	January 1, 2020; early adoption permitted for interim or annual goodwill impairment tests performed after January 1, 2017	Prospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures, as well as the timing of adoption.
Measurement of Credit Losses	Updated the accounting guidance on reporting credit losses for financial assets held at amortized cost basis and available-for-sale debt securities. Under this guidance, expected credit losses are required to be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. Also, this guidance requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down.	January 1, 2020; early adoption permitted	Modified retrospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the accompanying consolidated financial statements and notes to conform to the current presentation.

Note 3: Acquisitions and Divestitures

Acquisitions

During 2016, the Company closed on fifteen acquisitions, including the Scranton acquisition in December, of various regulated water and wastewater systems for a total aggregate purchase price of $199. Assets acquired, principally utility plant, totaled $194. Liabilities assumed totaled $30, including $14 of contributions in aid of construction, and assumed debt of $6. The Company recorded additional goodwill of $43 associated with five of its acquisitions, which is reported in its Regulated Businesses segment and is expected to be fully deductible for tax purposes. The preliminary purchase price allocation related to the Scranton acquisition will be finalized once the valuation of net assets acquired has been completed.

Also, our Regulated Businesses made a non-escrowed deposit of $5 related to the acquisition of the McKeesport, Pennsylvania's wastewater system which we expect to close in the second half of 2017.

During 2015, the Company closed on fourteen acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $64. Assets acquired, principally utility plant, totaled $90. Liabilities assumed totaled $26, including $10 of contributions in aid of construction, and assumed debt of $1. The Company recorded additional goodwill of $3 associated with four of its acquisitions, which is reported in its Regulated Businesses segment and is expected to be fully deductible for tax purposes. The Company also recognized a bargain purchase gain of $3 associated with five of its acquisitions, of which $1 was deferred as a regulatory liability.

During 2015, the Company also closed on the Keystone acquisition, which is included as part of the Market-Based Businesses, for a total purchase price of $133, net of cash received. The fair value of identifiable assets acquired and liabilities assumed was $56 and $7, respectively, and principally included the acquisition of nonutility property of $25, accounts receivable and unbilled revenues of $18 and intangible assets of $12. The purchase price allocation, which is based on the estimated fair value of net assets acquired, resulted in the Company recording redeemable noncontrolling interest of $7 and additional goodwill of $91. Goodwill is expected to be fully deductible for tax purposes.

The pro forma impact of our acquisitions was not material to our consolidated results of operations for the years ended December 31, 2016 and 2015.

During 2014, the Company closed on thirteen acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $9. Assets acquired, principally plant, totaled $17. Liabilities assumed totaled $8, including $5 of contributions in aid of construction and assumed debt of $2.

Divestitures

In November 2014, the Company completed the sale of Terratec, previously included in the Market-Based Businesses. After post-close adjustments, net proceeds from the sale totaled $1, and the Company recorded a pretax loss on sale of $1.

The following table summarizes the operating results of discontinued operations presented in the accompanying Consolidated Statements of Operations for the year ended December 31, 2014:

Operating revenues	$ 13
Total operating expenses, net	19
Loss from discontinued operations before income taxes	(6)
Provision (benefit) for income taxes	1
Loss from discontinued operations, net of tax	$ (7)

The provision for income taxes of discontinued operations includes the recognition of tax expense related to the difference between the tax basis and book basis of assets upon the sales of Terratec that resulted in taxable gains, since an election was made under Section 338(h)(10) of the Internal Revenue Code to treat the sales as asset sales.

There were no assets or liabilities of discontinued operations in the accompanying Consolidated Balance Sheets as of December 31, 2016 and 2015.

Note 4: Property, Plant and Equipment

The following table summarizes the major classes of property, plant and equipment by category as of December 31:

	2016	2015	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 147	$ 141		
Sources of supply	734	705	2 to 127 Years	52 Years
Treatment and pumping facilities	3,218	3,070	3 to 101 Years	40 Years
Transmission and distribution facilities	9,043	8,516	9 to 156 Years	80 Years
Services, meters and fire hydrants	3,504	3,250	8 to 93 Years	37 Years
General structures and equipment	1,343	1,227	1 to 154 Years	43 Years
Waste treatment, pumping and disposal	457	313	2 to 115 Years	55 Years
Waste collection	637	473	5 to 109 Years	58 Years
Construction work in progress	419	404		
Total utility plant	19,502	18,099		
Nonutility property	452	405	3 to 50 years	6 Years
Total property, plant and equipment	$ 19,954	$ 18,504		

Property, plant and equipment depreciation expense amounted to $435, $405, and $392 for the years ended December 31, 2016, 2015 and 2014, respectively and was included in depreciation and amortization expense in the accompanying Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 3.14%, 3.13% and 3.20% for years December 31, 2016, 2015 and 2014, respectively.

Note 5: Allowance for Uncollectible Accounts

The following table summarizes the changes in the Company’s allowances for uncollectible accounts for the years ended December 31:

	2016	2015	2014
Balance as of January 1	$ (39)	$ (35)	$ (34)
Amounts charged to expense	(27)	(32)	(37)
Amounts written off	29	31	38
Recoveries of amounts written off	(3)	(3)	(2)
Balance as of December 31	$ (40)	$ (39)	$ (35)

Note 6: Regulatory Assets and Liabilities

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. The majority of the regulatory assets earn a return. The following table summarizes the composition of regulatory assets as of December 31:

	2016	2015
Deferred pension expense	$ 310	$ 269
Income taxes recoverable through rates	241	236
Removal costs recoverable through rates	251	225
Deferred other postretirement benefit expense	14	90
San Clemente Dam project costs	91	95
Regulatory balancing accounts	110	88
Debt expense	66	68
Purchase premium recoverable through rates	58	60
Deferred tank painting costs	39	37
Other	109	103
Total Regulatory Assets	$ 1,289	$ 1,271

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $300 and $258 as of December 31, 2016 and 2015, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

The Company has recorded a regulatory asset for the additional revenues expected to be realized when the tax effects of temporary differences previously flowed through to customers, reverse. These temporary differences are primarily related to the difference between book and tax depreciation on property placed in service before the adoption by the regulatory authorities of full normalization for rate making purposes. Full normalization requires no flow through of tax benefits to customers. The regulatory asset for income taxes recoverable through rates is net of the reduction expected in future revenues as deferred taxes previously provided, attributable to the difference between the state and federal income tax rates under prior law and the current statutory rates, reverse over the average remaining service lives of the related assets.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

The Company's deferred other postretirement benefit expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $12 and $87 as of December 31, 2016 and 2015, respectively. The remaining portion is postretirement benefit expense in excess of the amount recovered in rates through 1997 has been deferred by certain subsidiaries. These costs are recognized in the rates charged for water service and will be recovered as authorized by the Company's regulatory authorities. The decrease in deferred other postretirement benefit expense is a result of the plan amendment to the postretirement benefit plan announced on July 31, 2016. See Note 14—Employee Benefits.

San Clemente Dam project costs represent costs incurred and deferred by the Company's California subsidiary pursuant to its efforts to investigate alternatives to strengthen or remove the dam due to potential earthquake and flood safety concerns. In June 2012, the California Public Utilities Commission ("CPUC") issued a decision authorizing implementation of a project to reroute the Carmel River and remove the San Clemente Dam. The project includes the Company's California subsidiary, the California State Conservancy and the National Marine Fisheries Services. Under the order's terms, the CPUC has authorized recovery for pre-construction costs, interim dam safety measures and environmental costs and construction costs. The authorized costs are to be recovered via a surcharge over a twenty-year period which began in October 2012. The unrecovered balance of project costs incurred, including cost of capital, net of surcharges totaled $91 and $95 as of December 31, 2016 and 2015, respectively. Surcharges collected were $4 for December 31, 2016 and 2015.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt expense, are deferred and amortized to the extent they will be recovered through future service rates.

Purchase premium recoverable through rates is primarily the recovery of the acquisition premiums related to an asset acquisition by the Company's California Utility subsidiary during 2002, and acquisitions in 2007 by the Company's New Jersey Utility subsidiary. As authorized for recovery by the California and New Jersey PUCs, these costs are being amortized to depreciation and amortization in the Consolidated Statements of Operations through November 2048.

Tank painting costs are generally deferred and amortized to operations and maintenance expense in the Consolidated Statements of Operations on a straight-line basis over periods ranging from five to fifteen years, as authorized by the regulatory authorities in their determination of rates charged for service.

Other regulatory assets include certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate-making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. The following table summarizes the composition of regulatory liabilities as of December 31:

	2016	2015
Removal costs recovered through rates	$ 316	$ 311
Pension and other postretirement benefit balancing accounts	55	59
Other	32	32
Total Regulatory Liabilities	$ 403	$ 402

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful life that are recovered through customer rates over the life of the associated assets. In December 2008, the Company's utility subsidiary in New Jersey, at the direction of the New Jersey Board of Public Utilities, began to depreciate $48 of the total balance into depreciation and amortization expense in the Consolidated Statements of Operations via straight line amortization through November 2048.

Pension and other postretirement benefit balancing accounts represent the difference between costs incurred and costs authorized by the PUCs that are expected to be refunded to customers.

Other regulatory liabilities include legal settlement proceeds, deferred gains and various regulatory balancing accounts.

Note 7: Goodwill and Other Intangible Assets

Goodwill

The following table summarizes changes in the carrying amount of goodwill for the years ended December 31, 2016 and 2015:

	Regulated Businesses		Market-Based Businesses		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2015	$ 3,412	$ (2,332)	$ 236	$ (108)	$ 3,648	$ (2,440)	$ 1,208
Goodwill from acquisitions	3	—	91	—	94	—	94
Balance as of December 31, 2015	$ 3,415	$ (2,332)	$ 327	$ (108)	$ 3,742	$ (2,440)	$ 1,302
Goodwill from acquisitions	43	—	—	—	43	—	43
Balance as of December 31, 2016	$ 3,458	$ (2,332)	$ 327	$ (108)	$ 3,785	$ (2,440)	$ 1,345

In 2016, the Company acquired aggregate goodwill of $43 associated with six of its acquisitions in the Regulated Businesses segment.

In 2015, the Company recorded goodwill of $91 as part of the Keystone acquisition. The Keystone business is an operating segment comprised of one reporting unit to which all of the goodwill arising from the acquisition was assigned and which is included in the Market-Based Business information. The Company also acquired aggregate goodwill of $3 associated with four of its acquisitions in its Regulated Businesses segment.

Excluding goodwill acquired in 2015 related to the Keystone acquisition, the Company determined that no qualitative factors were present that would indicate the estimated fair values of its reporting units were less than the respective carrying values. As such, the Company determined that further quantitative testing was not necessary at November 30, 2016 or 2015.

A step one test was completed for the Keystone goodwill. We used an income approach valuation technique which estimates the discounted future cash flows of operations. The discounted cash flow analysis relies on a single scenario reflecting best estimate projected cash flows. Significant assumptions were used in estimating the fair value, including the discount rate, growth rate and terminal value. The estimated fair value of the Keystone reporting unit exceeded its carrying value, and as such the Company determined the goodwill is not impaired.

There can be no assurances that the Company will not be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to the performance of the Company's reporting units. These market events could include a decline over a period of time of the Company's stock price, a decline over a period of time in valuation multiples of comparable water utilities and reporting unit companies, the lack of an increase in the Company's market price consistent with its peer companies, decreases in control premiums or continued downward pressure on commodity prices. A decline in the forecasted results in our business plan, such as changes in rate case results or capital investment budgets or changes in our interest rates, could also result in an impairment charge. In regards to the Keystone goodwill, adverse developments in market conditions, including prolonged depression of natural gas prices or other factors that negatively impact our forecast operating results, cash flows or key assumptions in the future could result in an impairment charge of a portion or all of the goodwill balance.

Other Intangible Assets

Included in other long-term assets at December 31, 2016 and 2015, is a $10 and $12, respectively, customer relationship intangible resulting from the Keystone acquisition. This intangible is being amortized on a straight-line basis over a period of eight years.

Note 8: Stockholders' Equity

Common Stock

Under the dividend reinvestment and direct stock purchase plan (the "DRIP"), stockholders may reinvest cash dividends and purchase additional Company common stock, up to certain limits, through the plan administrator without commission fees. Shares purchased by participants through the DRIP may be newly-issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2016, there were approximately 4.4 shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allowed the Company to purchase up to 10 shares of its outstanding common stock over an unrestricted period of time. The Company repurchased 1.0 shares and 2.3 shares of common stock in the open market at an aggregate cost of $65 and $126 under this program for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, there were 6.8 shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2016 and 2015:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Foreign Currency Translation	Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2015	$ (116)	$ 1	$ 31	$ 3	$ (1)	$ (82)
Other comprehensive loss before reclassification	(10)	—	—	(1)	—	(11)
Amounts reclassified from accumulated other comprehensive income	—	—	5	—	—	5
Net other comprehensive income (loss)	(10)	—	5	(1)	—	(6)
Ending balance as of December 31, 2015	$ (126)	$ 1	$ 36	$ 2	$ (1)	$ (88)
Other comprehensive gain (loss) before reclassification	(21)	—	—	—	17	(4)
Amounts reclassified from accumulated other comprehensive income	—	—	6	—	—	6
Net other comprehensive income (loss)	(21)	—	6	—	17	2
Ending balance as of December 31, 2016	$ (147)	$ 1	$ 42	$ 2	$ 16	$ (86)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been capitalized as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 14—Employee Benefits.

The amortization of the loss on cash flow hedge is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Note 9: Stock Based Compensation

The Company has granted stock options and restricted stock unit (“RSUs”) awards to non-employee directors, officers and other key employees of the Company pursuant to the terms of its 2007 Omnibus Equity Compensation Plan (the “2007 Plan”). The total aggregate number of shares of common stock that may be issued under the 2007 Plan is 15.5. As of December 31, 2016, 7.9 shares were available for grant under the 2007 Plan. Shares issued under the 2007 Plan may be authorized but unissued shares of Company stock or treasury shares, including shares purchased by the Company on the open market.

The cost of services received from employees in exchange for the issuance of stock options and restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock options and RSUs awards at the date of the grant is amortized through expense over the three-year service period. All awards granted in 2016, 2015 and 2014 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. The following table presents stock-based compensation expense recorded in operation and maintenance expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2016	2015	2014
Stock options	$ 2	$ 2	$ 2
RSUs	8	8	10
ESPP	1	1	1
Stock-based compensation	11	11	13
Income tax benefit	(4)	(4)	(5)
Stock-based compensation expense, net of tax	$ 7	$ 7	$ 8

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2016, 2015 and 2014.

The Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for RSUs. For each award, throughout the requisite service period, the Company recognizes the tax benefits, which have been included in deferred income tax assets, related to compensation costs. The tax deductions in excess of the benefits recorded throughout the requisite service period are recorded to common stockholders' equity or the statement of operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Options

In 2016, 2015 and 2014, the Company granted non-qualified stock options to certain employees under the 2007 Plan. The stock options vest ratably over the three-year service period beginning on January 1 of the year of the grant and have no performance vesting conditions. Expense is recognized using the straight-line method and is amortized over the requisite service period.

The following table summarizes the weighted-average assumptions used in the Black-Scholes option-pricing model for grants and the resulting weighted-average grant date fair value per share of stock options granted for the years ended December 31:

	2016	2015	2014
Dividend yield	2.09%	2.35%	2.55%
Expected volatility	15.89%	17.64%	17.75%
Risk-free interest rate	1.15%	1.48%	1.06%
Expected life (years)	4.0	4.4	3.6
Exercise price	$ 65.25	$ 52.75	$ 44.29
Grant date fair value per share	$ 6.61	$ 6.21	$ 4.57

The Company used the actual historical experience of exercises or expirations of the 2009 grant to determine the expected stock option life. The Company began granting stock options at the time of its initial public offering in April 2008. Expected volatility is based on a weighted average of historic volatilities of traded common stock of peer companies (regulated water companies) over the expected term of the stock options and historic volatilities of the Company's common stock during the period it has been publicly traded. The dividend yield is based on the Company's expected dividend payments and the stock price on the date of grant. The risk-free interest rate is the market yield on U.S. Treasury strips with maturities similar to the expected term of the stock options. The exercise price of the stock options is equal to the fair market value of the underlying stock on the date of option grant. Stock options vest over periods ranging from one to three years and have a maximum term of seven years from the effective date of the grant.

The table below summarizes stock option activity for the year ended December 31, 2016:

	Shares (in thousands)	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Life (years)	Aggregate Intrinsic Value
Options outstanding as of December 31, 2015	1,187	$ 39.70	3.9	$ 24
Granted	341	65.26		
Forfeited or expired	(74)	56.25		
Exercised	(467)	32.64		
Options outstanding as of December 31, 2016	987	$ 50.65	4.3	$ 21
Exercisable as of December 31, 2016	450	$ 41.22	2.9	$ 14

As of December 31, 2016, $2 of total unrecognized compensation cost related to nonvested stock options is expected to be recognized over the remaining weighted-average period of 1.7 years. The total fair value of stock options vested was $1 for the year ended December 31, 2016 and $3 for the years ended December 31, 2015 and 2014.

The following table summarizes additional information regarding stock options exercised during the years ended December 31:

	2016	2015	2014
Intrinsic value	$ 18	$ 22	$ 13
Exercise proceeds	15	30	15
Income tax benefit realized	6	7	4

RSUs

During 2016, 2015 and 2014, the Company granted RSUs, both with and without performance conditions, to certain employees under the 2007 Plan. RSUs generally vest over periods ranging from one to three years.

During 2016, 2015 and 2014, the Company granted RSUs to non-employee directors under the 2007 Plan. The RSUs vested on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of: (i) 15 months after grant date, subject to any deferral election by the director; or (ii) the participant's separation from service. Because these RSUs vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense included in the expense table above on the grant date.

The RSUs without performance conditions are valued at the market value of the closing price of the Company's common stock on the date of the grant and vest ratably over the three-year service period beginning January 1 of the year of the grant. These RSUs are amortized through expense over the requisite service period using the straight-line method.

The table below summarizes activity of RSUs without performance conditions for the year ended December 31, 2016:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2015	81	$ 48.71
Granted	47	67.71
Vested	(45)	54.06
Forfeited	(9)	57.99
Non-vested total as of December 31, 2016	74	$ 56.43

RSUs with performance conditions vest ratably over the three-year performance period beginning January 1 of the year of the grant (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of internal performance measures and, separately, certain market thresholds over the Performance Period.

RSUs granted with internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. RSUs granted with market conditions are valued using a Monte Carlo model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. The following table presents the weighted-average assumptions used in the Monte Carlo simulation and the weighted-average grant date fair values of RSUs granted for the years ended December 31:

	2016	2015	2014
Expected volatility	15.90%	14.93%	17.78%
Risk-free interest rate	0.91%	1.07%	0.75%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$ 77.16	$ 62.10	$ 45.45

The grant date fair value of restricted stock awards that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

The table below summarizes activity of RSUs with performance conditions for the year ended December 31, 2016:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2015	366	$ 45.91
Granted (a)	173	57.47
Vested	(206)	40.01
Forfeited	(24)	49.89
Non-vested total as of December 31, 2016	309	$ 55.94

(a) During 2014, the Company granted selected employees an aggregate of 128 thousand RSUs with internal performance measures and, separately, certain market thresholds. These awards vested in January 2016. The terms of the grants specified that to the extent certain performance goals, comprised of internal measures and, separately, market thresholds were achieved, the RSUs would vest; if performance goals were surpassed, up to 175% of the target awards would be distributed; and if performance goals were not met, the awards would be forfeited. In January 2016, an additional 74 thousand RSUs were granted and distributed because performance thresholds were exceeded and were included in the number of shares granted.

As of December 31, 2016, $4 of total unrecognized compensation cost related to the nonvested restricted stock units, with and without performance conditions, is expected to be recognized over the weighted-average remaining life of 1.4 years. The total fair value of RSUs, with and without performance conditions, vested was $14, $12 and $11 for the years ended December 31, 2016, 2015 and 2014, respectively.

If dividends are paid with respect to shares of the Company's common stock before the RSUs are distributed, the Company credits a liability for the value of the dividends that would have been paid if the RSUs were shares of Company common stock. When the RSUs are distributed, the Company pays the participant a lump sum cash payment equal to the value of the dividend equivalents accrued. The Company accrued dividend equivalents totaling $1 to accumulated deficit in the accompanying Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014, respectively.

Employee Stock Purchase Plan

Under the Nonqualified Employee Stock Purchase Plan ("ESPP"), employees can use payroll deductions to acquire Company stock at the lesser of 90% of the fair market value of common stock at either the beginning or the end of a three-month purchase period. As of December 31, 2016, there were 1.1 shares of common stock reserved for issuance under the ESPP. The Company's ESPP is considered compensatory. During the years ended December 31, 2016, 2015 and 2014, the Company issued 93, 98 and 102 thousand shares, respectively, under the ESPP.

Note 10: Long-Term Debt

The Company obtains long-term debt primarily to fund capital expenditures of the regulated subsidiaries and refinance debt of the parent company. The following table summarizes the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2016	2015
Long-term debt of American Water Capital Corp. (a)					
Senior notes—fixed rate	3.00%-8.27%	5.04%	2017-2046	$ 4,786	$ 4,273
Private activity bonds and government funded debt—fixed rate	1.79%-6.25%	5.42%	2021-2040	194	195
Long-term debt of other American Water subsidiaries					
Private activity bonds and government funded debt—fixed rate (b)	0.00%-6.20%	4.72%	2017-2041	695	790
Mortgage bonds—fixed rate	4.29%-9.71%	7.41%	2017-2039	636	637
Mandatorily redeemable preferred stock	8.47%-9.75%	8.61%	2019-2036	12	13
Capital lease obligations	12.23%-12.44%	12.39%	2026	1	1
				6,324	5,909
Unamortized debt premium, net (c)				17	23
Unamortized debt issuance costs				(9)	(7)
Interest rate swap fair value adjustment				1	3
Less current portion of long-term debt				(574)	(54)
Total long-term debt				$ 5,759	$ 5,874

(a) This indebtedness is considered "debt" for purposes of a support agreement between American Water and American Water Capital Corp. ("AWCC"), American Water's wholly owned finance subsidiary, which serves as a functional equivalent of a guarantee by American Water of AWCC's payment obligations under such indebtedness.

(b) Includes $6 and $8 of variable rate debt with variable-to-fixed interest rate swaps ranging between 3.93% and 4.65%, as of December 31, 2016 and 2015. This debt was assumed via an acquisition in 2013.

(c) Primarily fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and $619 of the private activity bonds and government funded debt held by the subsidiaries were collateralized by utility plant as of December 31, 2016.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, the Company from issuing debt secured by the Company's assets. Certain long term notes require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2016 was 0.58 to 1.00. In addition, the Company has $891 of notes which include the right to redeem the notes at par in whole or in part from time to time subject to certain restrictions.

The future sinking fund payments and debt maturities were as follows:

Year	Amount
2017	$ 574
2018	457
2019	166
2020	22
2021	479
Thereafter	4,626

The following long-term debt was issued in 2016:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Senior notes—fixed rate	3.00%-4.00%	2026-2046	$ 550
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	1.00%-1.36%	2026-2037	3
Total issuances				$ 553

The Company also assumed debt of $6 as a result of an acquisition during 2016, which has a fixed interest rate of 1.00% and matures in 2037. The Company incurred debt issuance costs of $5 related to the above issuances.

The following long-term debt was retired through optional redemption or payment at maturity during 2016:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Senior notes—fixed rate	5.52%	2016	$ 37
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.30%	2016-2041	104
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%-9.18%	2031-2036	2
Total retirements and redemptions				$ 144

Interest, net includes interest income of approximately $14, $13 and $11 in 2016, 2015 and 2014, respectively.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as swaps. The Company reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, credit-worthy financial institutions having long-term credit ratings of "A" or better.

The Company has four forward starting swap agreements with an aggregate notional amount of $300 to reduce interest rate exposure on debt expected to be issued in 2017. The forward starting swap agreements terminate in December 2017 and have an average fixed rate of 2.20%. The Company has designated the forward starting swap agreements as cash flow hedges and the initial fair value, in addition to any subsequent changes in fair value, are recognized in accumulated other comprehensive gain. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the issued debt. On February 8, 2017, the Company entered into a forward starting swap agreement with a notional amount of $100 to reduce interest rate exposure on debt expected to be issued in 2018. This forward starting swap agreement terminates in December 2018 and has an average fixed rate of 2.67%. The forward starting swap agreement is a cash flow hedge and the Company will account for this forward starting swap agreement in the same manner as the aforementioned forward starting swap agreements above.

The Company has an interest-rate swap to hedge $100 of its 6.085% fixed-rate debt maturing 2017. The Company pays variable interest of six-month LIBOR plus 3.422% and the interest rate swap matures with the fixed-rate debt in 2017. The Company has designated the interest rate swap as a fair value hedge accounted for at fair value with gains or losses, as well as the offsetting gains or losses on the hedged item, recognized in interest, net. The net loss recognized by the Company was de minimis for the periods ended December 31, 2016 and 2015.

The Company has employed interest rate swaps to fix the interest cost on a portion of its variable-rate debt with an aggregate notional amount of $6. The Company has designated these instruments as economic hedges accounted for at fair value with gains or losses recognized in interest, net. The gain recognized by the Company was de minimis for the years ended 2016 and 2015.

The following table provides a summary of the gross fair value for the Company's derivative asset and liabilities, as well as the location of the asset and liability balances in the Consolidated Balance Sheets

Derivative Instruments	Derivative Designation	Balance Sheet Classification	December 31, 2016	December 31, 2015
Asset Derivative				
Interest rate swap	Fair value hedge	Other long-term assets	$ —	$ 2
Interest rate swap	Fair value hedge	Other current assets	1	—
Forward starting swaps	Cash flow hedge	Other current assets	27	—
Liability Derivative				
Interest rate swap	Fair value hedge	Long-term debt	$ —	$ 2
Interest rate swap	Fair value hedge	Current portion of long-term debt	1	—
Interest rate swap	Economic hedge (non-designated)	Other long-term liabilities	—	1

Note 11: Short-Term Debt

Short-term debt consists of commercial paper and credit facility borrowings totaling $849 and $628 as of December 31, 2016 and 2015, respectively. As of December 31, 2016 there were no borrowings outstanding with maturities greater than three months.

AWCC has a revolving credit facility with $1,750 in aggregate total commitments from a diversified group of financial institutions with a termination date of June 2020. On March 22, 2016, AWCC and its lenders agreed to increase total commitments under AWCC's revolving credit facility to the $1,750 from $1,250. Other terms and conditions of the existing facility remained unchanged. The agreement also includes a $150 sublimit for letters of credit and a $100 sublimit for swing loans. The Company incurred $1 of issuance costs in connection with the increased lending commitments for the year ended December 31, 2016. On June 30, 2015, AWCC and its lenders extended the termination date of revolving credit facility from October 2018 to June 2020. This amended and restated agreement also allowed AWCC to request to further extend the term of the credit facility for up to two one-year periods. As a result of the amendments made in 2015, the Company incurred $2 of issuance costs for the year ended December 31, 2015. Both the issuance costs incurred in 2016 and 2015 will be amortized over the remaining life of the credit facility and is included in interest, net in the accompanying Consolidated Statements of Operations. Interest on borrowings are based on a LIBOR-based rate, plus an applicable margin.

Also, the Company acquired a line of credit facility as part of the Keystone acquisition. This facility has a maximum availability of up to $16, dependent on a collateral base calculation. Based on the collateral assets at December 31, 2016, $6 was available to borrow. At December 31, 2016, there were no outstanding borrowings on this line of credit facility. Borrowings under the facility are due upon demand with interest being paid monthly. Interest accrues each day at a rate per annum equal to 2.75% above the greater of the one month or one day LIBOR. The borrowing base under the facility allows for financing up to the greater of the note or 80% of eligible accounts receivable.

The following table summarizes the Company's aggregate credit facility commitments, letter of credit sub-limit under our revolving credit facility and commercial paper limit, as well as the available capacity for each as of:

	Credit Facility Commitment	Available Credit Facility Capacity	Letter of Credit Sublimit (a)	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
			(In millions)			
December 31, 2016	$ 1,766	$ 1,668	$ 150	$ 62	$ 1,600	$ 751
December 31, 2015	1,266	1,182	150	68	1,000	374

(a) Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. The Company had $88 and $82 of outstanding letters of credit as of December 31, 2016 and 2015, respectively, all of which were issued under the revolving credit facility noted above.

The following table summarizes the short-term borrowing activity for AWCC for the years ended December 31:

	2016	2015
Average borrowings	$ 850	$ 553
Maximum borrowings outstanding	1,016	871
Weighted average interest rates, computed on daily basis	0.78%	0.49%
Weighted average interest rates, as of December 31	0.98%	0.66%

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2016 was 0.58 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under the Company's credit facility.

As part of the normal course of business, the Company routinely enters contracts for the purchase and sale of water, energy, fuels and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance. Depending on the Company's net position with the counterparty, the demand could be for the posting of collateral. In the absence of expressly agreed provisions that specify the collateral that must be provided, the obligation to supply the collateral requested will be a function of the facts and circumstances of the Company's situation at the time of the demand. If the Company can reasonably claim that it is willing and financially able to perform its obligations, it may be possible that no collateral would need to be posted or that only an amount equal to two or three months of future payments should be sufficient. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Note 12: General Taxes

The following table summarizes the components of general tax expense from continuing operations for the years ended December 31:

	2016	2015	2014
Gross receipts and franchise	$ 106	$ 99	$ 96
Property and capital stock	106	98	96
Payroll	32	31	31
Other general	14	15	13
Total general taxes	$ 258	$ 243	$ 236

Note 13: Income Taxes

The following table summarizes the components of income tax expense from continuing operations for the years ended December 31:

	2016	2015	2014
Current income taxes			
State	$ 20	$ 10	$ 11
Federal	1	—	15
Total current income taxes	$ 21	$ 10	$ 26
Deferred income taxes			
State	$ 24	$ 32	$ 31
Federal	258	265	224
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	281	296	254
Provision for income taxes	$ 302	$ 306	$ 280

The following is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2016	2015	2014
Income tax at statutory rate	35.0%	35.0%	35.0%
Increases (decreases) resulting from:			
State taxes, net of federal taxes	3.8	3.6	3.8
Federal regulatory effects	0.2	0.4	0.3
Other, net	0.2	0.1	0.3
Effective tax rate	39.2%	39.1%	39.4%

The following table provides the components of the net deferred tax liability from continuing operations as of December 31:

	2016	2015
Deferred tax assets		
Advances and contributions	$ 540	$ 513
Tax losses and credits	301	173
Pension and other postretirement benefits	173	181
Other	90	32
Total deferred tax assets	1,104	899
Valuation allowance	(6)	(8)
Total deferred tax assets, net of allowance	$ 1,098	$ 891
Deferred tax liabilities		
Property, plant and equipment	$ 3,339	$ 2,913
Deferred pension and other postretirement benefits	126	139
Other	229	149
Total deferred tax liabilities	3,694	3,201
Total deferred tax liabilities, net of deferred tax assets	$ (2,596)	$ (2,310)

As of December 31, 2016 and 2015, the Company recognized federal net operating loss ("NOL") carryforwards of $1,227 and $1,080, respectively. The 2016 NOL carryforward includes $56 of windfall tax deductions the benefit of which will not be recorded to equity until realized. The Company believes the federal NOL carryforwards are more likely than not to be recovered and require no valuation allowance. The Company's federal NOL carryforwards will begin to expire in 2028.

As of December 31, 2016 and 2015, the Company had state NOLs of $625 and $534, respectively, a portion of which are offset by a valuation allowance because the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards will begin to expire in 2017 through 2036.

As of December 31, 2016 and 2015, the Company had an insignificant amount of Canadian NOL carryforwards and capital loss carryforwards for federal income tax purposes.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2012. The Company has state income tax examinations in progress and does not expect material adjustments to result.

The Patient Protection and Affordable Care Act (the "PPACA") became law on March 23, 2010, and the Health Care and Education Reconciliation Act of 2010 became law on March 30, 2010, which makes various amendments to certain aspects of the PPACA (together, the "Acts"). The PPACA effectively changes the tax treatment of federal subsidies paid to sponsors of retiree health benefit plans that provide a benefit that is at least actuarially equivalent to the benefits under Medicare Part D. The Acts effectively make the subsidy payments taxable in tax years beginning after December 31, 2012 and as a result, the Company followed its original accounting for the underfunded status of the other postretirement benefits for the Medicare Part D adjustment and recorded a reduction in deferred tax assets and an increase in its regulatory assets amounting to $6 as of December 31, 2016 and 2015.

In connection with the filing of the Company's consolidated 2015 tax return in September 2015, the Company deducted bonus depreciation, of which approximately $106 of deferred tax liabilities is related to the Regulated Businesses segment.

The following table summarizes the changes in the Company's gross liability, excluding interest and penalties, for unrecognized tax benefits:

Balance as of January 1, 2015	$	195
Increases in current period tax positions		39
Decreases in prior period measurement of tax positions		(1)
Balance as of December 31, 2015	$	233
Increases in current period tax positions		10
Decreases in prior period measurement of tax positions		(74)
Balance as of December 31, 2016	$	169

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The gross liability was significantly reduced as a result of the accounting method change filed with Company's 2015 tax return during the current year. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. If the Company sustains all of its positions as of December 31, 2016 and 2015, an unrecognized tax benefit of $9, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an insignificant amount of interest and penalties related to its tax positions as of December 31, 2016 and 2015.

The following table summarizes the changes in the Company's valuation allowance:

Balance as of January 1, 2014	$	13
Decreases in current period tax positions		(3)
Balance as of December 31, 2014	$	10
Decreases in current period tax positions		(2)
Balance as of December 31, 2015	$	8
Decreases in current period tax positions		(2)
Balance as of December 31, 2016	$	6

Note 14: Employee Benefits

Pension and Other Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001 had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. The Company does not participate in a multiemployer plan.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional contributions if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006. The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension plan assets are invested in a number of actively managed and commingled funds including equities, fixed income securities, guaranteed interest contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 6—Regulatory Assets and Liabilities.

The Company also has unfunded noncontributory supplemental non-qualified pension plans that provide additional retirement benefits to certain employees.

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002.

The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed and commingled funds including equities and fixed income securities.

The obligations of the pension and postretirement benefit plans are dominated by obligations for active employees. Because the timing of expected benefit payments is so far in the future, the investment strategy is to allocate a significant percentage of assets to equities, which the Company believes will provide the highest return over the long-term period. The fixed income assets are invested in intermediate and long duration debt securities and may be invested in fixed income instruments, such as futures and options, in order to better match the duration of the plan liability.

The Company periodically conducts asset liability studies to ensure the investment strategies are aligned with the profile of the plans' obligations.

None of the Company's securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets.

The investment policy guidelines of the pension plan require that the fixed income portfolio has an overall weighted-average credit rating of A or better by Standard & Poor's.

The investment policies' objectives are focused on reducing the volatility of the plans' funding status over a long term horizon.

The fair values and asset allocations of pension plan assets as of December 31, 2016 and 2015, respectively, by asset category were as follows:

Asset Category	Target Allocation 2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2016
Cash	—	$ 10	$ 10	$ —	$ —	—
Equity Securities:						
U.S. large cap	24%	316	316	—	—	22%
U.S. small cap	8%	134	134	—	—	9%
International	20%	259	—	259	—	18%
Fixed Income Securities:	40%					42%
U.S. Treasury securities and government bonds	—	150	114	36	—	—
Corporate bonds	—	391	—	391	—	—
Mortgage-backed securities	—	3	—	3	—	—
Long duration bond fund	—	7	7	—	—	—
Guarantee annuity contracts	—	48	—	9	39	—
Real Estate Fund	6%	101	—	—	101	7%
REITs	2%	24	—	24	—	2%
Total	100%	$ 1,443	$ 581	$ 722	$ 140	100%

Asset Category	Target Allocation 2016	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2015
Cash	—	$ 5	$ 5	$ —	$ —	—
Equity Securities:						
U.S. large cap	24%	318	318	—	—	23%
U.S. small cap	8%	115	115	—	—	8%
International	20%	260	—	260	—	19%
Fixed Income Securities:	40%					41%
U.S. Treasury and government bonds	—	120	95	25	—	—
Corporate bonds	—	375	—	375	—	—
Mortgage-backed securities	—	9	—	9	—	—
Long duration bond fund	—	7	7	—	—	—
Guarantee annuity contracts	—	49	—	8	41	—
Real Estate	6%	95	—	—	95	7%
REITs	2%	23	—	23	—	2%
Total	100%	$ 1,376	$ 540	$ 700	$ 136	100%

The following tables present a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2016 and 2015, respectively:

	Level 3
Balance as of January 1, 2016	$ 136
Actual return on assets	8
Purchases, issuances and settlements, net	(4)
Balance as of December 31, 2016	$ 140

	Level 3
Balance as of January 1, 2015	$ 127
Actual return on assets	12
Purchases, issuances and settlements, net	(3)
Balance as of December 31, 2015	$ 136

The Company's other postretirement benefit plans are partially funded and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and the risk tolerance of the Company. The Company periodically updates the long-term, strategic asset allocations and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity characteristics, funding requirements, expected rates of return and the distribution of returns.

In June 2012, the Company implemented a de-risking strategy for the medical bargaining trust within the plan to minimize volatility. As part of the de-risking strategy, the Company revised the asset allocations to increase the matching characteristics of assets relative to liabilities. The initial de-risking asset allocation for the plan was 60% return-generating assets and 40% liability-driven assets. The investment strategies and policies for the plan reflect a balance of liability driven and return-generating considerations. The objective of minimizing the volatility of assets relative to liabilities is addressed primarily through asset—liability matching, asset diversification and hedging. The fixed income target asset allocation matches the bond-like and long-dated nature of the postretirement liabilities. Assets are broadly diversified within asset classes to achieve risk-adjusted returns that in total lower asset volatility relative to the liabilities. The Company assesses the investment strategy regularly to ensure actual allocations are in line with target allocations as appropriate. Strategies to address the goal of ensuring sufficient assets to pay benefits include target allocations to a broad array of asset classes and, within asset classes strategies are employed to provide adequate returns, diversification and liquidity.

The assets of the Company's other trusts, within the other postretirement benefit plans, have been primarily invested in equities and fixed income funds. The assets under the various other postretirement benefit trusts are invested differently based on the assets and liabilities of each trust. The obligations of the other postretirement benefit plans are dominated by obligations for the medical bargaining trust. Thirty-nine percent and four percent of the total postretirement plan benefit obligations are related to the medical non-bargaining and life insurance trusts, respectively. Because expected benefit payments related to the benefit obligations are so far into the future, and the size of the medical non-bargaining and life insurance trusts' obligations are large compared to each trusts' assets, the investment strategy is to allocate a significant portion of the assets' investment to equities, which the Company believes will provide the highest long-term return and improve the funding ratio.

The Company engages third party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g. fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocation, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary.

The fair values and asset allocations of postretirement benefit plan assets as of December 31, 2016 and 2015, respectively, by asset category, were as follows:

Asset Category	Target Allocation 2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2016
Bargain VEBA:						
Equity Securities:						
U.S. large cap	9%	$ 35	$ 35	$ —	$ —	9%
International	11%	40	40	—	—	10%
Fixed Income Securities:	80%					81%
U.S. Treasury securities and government bonds	—	84	84	—	—	—
Corporate bonds	—	223	—	223	—	—
Long duration bond fund	—	3	3	—	—	—
Future and option contracts (a)	—	1	1	—	—	—
Total Bargain VEBA	100%	$ 386	$ 163	$ 223	$ —	100%
Non-bargain VEBA:						
Cash	—	$ 2	$ 2	$ —	$ —	—
Equity Securities:						
U.S. large cap	21%	29	29	—	—	22%
U.S. small cap	21%	30	30	—	—	22%
International	28%	37	37	—	—	27%
Fixed Income Securities:	30%					29%
Core fixed income bond fund	—	36	36	—	—	—
Total Non-bargain VEBA	100%	$ 134	$ 134	$ —	$ —	100%
Life VEBA:						
Equity Securities:						
U.S. large cap	70%	$ 3	$ 3	$ —	$ —	64%
Fixed Income Securities:	30%					36%
Core fixed income bond fund	—	2	2	—	—	—
Total Life VEBA	100%	$ 5	$ 5	$ —	$ —	100%
Total	100%	$ 525	$ 302	$ 223	$ —	100%

(a) Includes cash for margin requirements.

Asset Category	Target Allocation 2016	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2015
Bargain VEBA:						
Equity Securities:						
U.S. large cap	9%	$ 32	$ 32	$ —	$ —	9%
International	11%	38	38	—	—	10%
Fixed Income Securities:	80%					81%
U.S. Treasury and government bonds	—	118	118	—	—	—
Corporate bonds	—	184	—	184	—	—
Long duration bond fund	—	3	3	—	—	—
Future and option contracts (a)	—	1	1	—	—	—
Total Bargain VEBA	100%	$ 376	$ 192	$ 184	$ —	100%
Non-bargain VEBA:						
Cash	—	$ 2	$ 2	$ —	$ —	—
Equity Securities:						
U.S. large cap	21%	24	24	—	—	21%
U.S. small cap	21%	26	26	—	—	22%
International	28%	33	33	—	—	28%
Fixed Income Securities:	30%					29%
Core fixed income bond fund	—	33	33	—	—	—
Total Non-bargain VEBA	100%	$ 118	$ 118	$ —	$ —	100%
Life VEBA:						
Equity Securities:						
U.S. large cap	70%	$ 4	$ 4	$ —	$ —	68%
Fixed Income Securities:	30%					32%
Core fixed income bond fund	—	2	2	—	—	—
Total Life VEBA	100%	$ 6	$ 6	$ —	$ —	100%
Total	100%	$ 500	$ 316	$ 184	$ —	100%

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Equity securities are valued based on quoted prices in active markets and categorized as Level 1. Certain equities, such as international securities held in the pension plan are invested in commingled funds. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets that the Company can corroborate. The fair values of corporate bonds, mortgage backed securities, certain government bonds and a guaranteed annuity contract are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, and have been categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Certain other guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. The fund administrator values the fund using the net asset value per fund share, derived from the quoted prices in active markets of the underlying securities. Since these valuation inputs are not highly observable, these contracts have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in daily variation margins that are settled daily. Exchange-traded options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is valued using the net asset value based on valuation models of underlying securities which generally include significant unobservable inputs that cannot be corroborated using verifiable observable market data. Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

The following table provides a rollforward of the changes in the benefit obligation and plan assets for the most recent two years for all plans combined:

	Pension Benefits		Other Benefits	
	2016	2015	2016	2015
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 1,720	$ 1,746	$ 667	$ 703
Service cost	32	37	12	14
Interest cost	80	74	28	30
Plan participants' contributions	—	—	2	2
Plan amendments	—	—	(156)	—
Actuarial (gain) loss	100	(76)	82	(58)
Settlements	(3)	—	—	—
Gross benefits paid	(65)	(61)	(26)	(26)
Federal subsidy	—	—	1	2
Benefit obligation as of December 31,	$ 1,864	$ 1,720	$ 610	$ 667
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,376	$ 1,428	$ 500	$ 512
Actual return on plan assets	99	(21)	32	(15)
Employer contributions	36	30	17	27
Plan participants' contributions	—	—	2	2
Settlements	(3)	—	—	—
Benefits paid	(65)	(61)	(26)	(26)
Fair value of plan assets as of December 31,	$ 1,443	$ 1,376	$ 525	$ 500
Funded status as of December 31,	$ (421)	$ (344)	$ (85)	$ (167)
Amounts recognized in the balance sheet consist of:				
Noncurrent asset	$ —	$ —	$ 2	$ 2
Current liability	(2)	(2)	—	—
Noncurrent liability	(419)	(342)	(87)	(169)
Net amount recognized	$ (421)	$ (344)	$ (85)	$ (167)

On July 31, 2016, the other postretirement benefit plan was remeasured to reflect an announced plan amendment, which capped benefits for certain non-union plan participants. The remeasurement included a $156 reduction in future benefits payable to plan participants, and resulted in a $89 reduction to the net accrued postretirement benefit obligation. The plan amendment will be amortized over 10.2 years, the average future working lifetime to full eligibility age for all plan participants.

The following table provides the components of the Company's accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2016	2015	2016	2015
Net actuarial loss	$ 466	$ 397	$ 170	$ 97
Prior service cost (credit)	2	3	(158)	(10)
Net amount recognized	$ 468	$ 400	$ 12	$ 87
Regulatory assets	$ 300	$ 258	$ 12	$ 87
Accumulated other comprehensive income	168	142	—	—
Total	$ 468	$ 400	$ 12	$ 87

As of December 31, 2016 and 2015, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected obligation in excess of plan assets were as follows:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2016	2015
Projected benefit obligation	$ 1,864	$ 1,721
Fair value of plan assets	1,443	1,376

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2016	2015
Accumulated benefit obligation	$ 1,722	$ 1,584
Fair value of plan assets	1,443	1,376

The accumulated postretirement benefit obligation exceeds plan assets for all of the Company's other postretirement benefit plans.

In August 2006, the Pension Protection Act ("PPA") was signed into law in the U.S. The PPA replaces the funding requirements for defined benefit pension plans by requiring that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The PPA was effective for the 2008 plan year with short-term phase-in provisions for both the funding target and at-risk determination. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to the greater of the minimum required contributions or the normal cost in 2017 to the qualified pension plans. The Company plans to contribute to its 2017 other postretirement benefit cost for rate-making purposes.

Information about the expected cash flows for the pension and postretirement benefit plans is as follows:

	Pension Benefits	Other Benefits
2017 expected employer contributions		
To plan trusts	$ 40	$ 6
To plan participants	2	—

The Company made 2017 contributions to fund pension benefits and other benefits of $10 and $1, respectively, through February 2017.

The following table reflects the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2017	$ 71	$ 29	$ 2
2018	76	31	2
2019	82	33	2
2020	89	34	2
2021	94	35	2
2022-2026	551	194	12

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

The significant assumptions related to the Company's pension and other postretirement benefit plans were as follows:

	Pension Benefits			Other Benefits		
	2016	2015	2014	2016	2015	2014
Weighted-average assumptions used to determine December 31 benefit obligations						
Discount rate	4.28%	4.66%	4.24%	4.26%	4.67%	4.24%
Rate of compensation increase	3.07%	3.10%	3.12%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 7.00% in 2016 to 5.00% in 2021+	graded from 6.50% in 2015 to 5.00% in 2021+	graded from 6.75% in 2014 to 5.00% in 2021+
Weighted-average assumptions used to determine net periodic cost						
Discount rate	4.66%	4.24%	5.12%	3.66%	4.24%	5.10%
Expected return on plan assets	7.02%	6.91%	6.91%	5.37%	4.92%	5.87%
Rate of compensation increase	3.10%	3.12%	3.15%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.50% in 2016 to 5.00% in 2021+	graded from 6.75% in 2015 to 5.00% in 2021+	graded from 7.00% in 2014 to 5.00% in 2019+

N/A—Assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. At year-end 2011, the Company began using an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. The yield curve was developed for a universe containing the majority of U.S.-issued AA-graded corporate bonds, all of which were non-callable (or callable with make-whole provisions). Historically, for each plan, the discount rate was developed as the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns and for the effect of expenses paid from plan assets. The Company's pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.49% to estimate its 2017 pension benefit costs, and an expected blended return based on weighted assets of 5.09% to estimate its 2017 other postretirement benefit costs.

In the determination of year end 2014 projected benefit plan obligations, the Company adopted a new table based on the Society of Actuaries RP 2014 mortality table including a generational BB-2D projection scale. The adoption resulted in a significant increase to pension and other postretirement benefit plans' projected benefit obligations. In 2015 a new RP 2015 mortality table was issued. All of the experience upon which the table is based was considered by the Company in selecting its 2014 assumptions.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. The health care cost trend rate is based on historical rates and expected market conditions. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 7	$ (6)
Effect on other postretirement benefit obligation	$ 74	$ (61)

The following table provides the components of net periodic benefit costs for the years ended December 31:

	2016	2015	2014
Components of net periodic pension benefit cost			
Service cost	$ 32	$ 37	$ 32
Interest cost	80	74	76
Expected return on plan assets	(95)	(97)	(95)
Amortization of:			
Prior service cost (credit)	1	1	1
Actuarial (gain) loss	27	25	—
Net periodic pension benefit cost	**$ 45**	**$ 40**	**$ 14**
Other changes in plan assets and benefit obligations recognized in other comprehensive income			
Amortization of prior service credit (cost)	$ —	$ —	$ —
Current year actuarial (gain) loss	21	10	46
Amortization of actuarial gain (loss)	(6)	(5)	—
Total recognized in other comprehensive income	**$ 15**	**$ 5**	**$ 46**
Total recognized in net periodic benefit cost and comprehensive income	**$ 60**	**$ 45**	**$ 60**
Components of net periodic other postretirement benefit cost			
Service cost	$ 12	$ 14	$ 11
Interest cost	28	30	29
Expected return on plan assets	(27)	(26)	(28)
Amortization of:			
Prior service cost (credit)	(9)	(2)	(2)
Actuarial (gain) loss	5	5	—
Net periodic other postretirement benefit cost	**$ 9**	**$ 21**	**$ 10**

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service of the current active membership for the plans.

The estimated amounts that will be amortized from accumulated other comprehensive income and regulatory assets into net periodic benefit cost in 2017 are as follows:

	Pension Benefits	Other Benefits
Actuarial (gain) loss	$ 34	$ 10
Prior service cost (credit)	1	(18)
Total	$ 35	$ (8)

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006 the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. Plan expenses totaled $9, $9 and $8 for 2016, 2015 and 2014, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 15: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $469 as of December 31, 2016.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. The future annual commitments related to minimum quantities of purchased water having non-cancelable terms are as follows:

Year	Amount
2017	$ 56
2018	58
2019	64
2020	64
2021	65
Thereafter	735

The Company enters into agreements for the provision of services to water and wastewater facilities for the United States military, municipalities and other customers. The Company's military agreements expire between 2051 and 2065 and have remaining performance commitments as measured by estimated remaining contract revenue of $3,143 as of December 31, 2016. The military agreements are subject to customary termination provisions held by the U.S. Federal Government prior to the agreed upon contract expiration. The Company's O&M agreements with municipalities and other customers expire between 2017 and 2048 and have remaining performance commitments as measured by estimated remaining contract revenue of $794 as of December 31, 2016. Some of the Company's long-term contracts to operate and maintain a municipality's, federal government's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2016, the Company has accrued approximately $138 of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $51. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 15, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol, or MCHM, and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the West Virginia-American Water Company ("WVAWC") treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection ("DEP"), WVAWC took immediate steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a "Do Not Use" order for all of its approximately 93,000 customer accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC's customers were subject to the Do Not Use order.

Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, 73 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. On January 28, 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed pending the negotiation by the parties and approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. On July 7, 2016, the court in the Federal action scheduled trial to begin on October 25, 2016, but the court delayed the start of the trial pending ongoing settlement negotiations between the parties and has since granted a continuance of the trial until March 21, 2017. The Mass Litigation Panel has also stayed its proceedings until May 1, 2017.

WVAWC Binding Global Agreement in Principle to Settle Claims

On October 31, 2016, the court in the Federal action approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle claims (the "Settlement") among the American Water Defendants, and all class members, putative class members, claimants and potential claimants (collectively, the "Plaintiffs"), arising out of the Freedom Industries chemical spill. The terms of the Settlement propose a global federal and state resolution of all litigation and potential claims against the American Water Defendants and their insurers. A claimant may elect to opt out of any final settlement agreement, in which case such claimant will not receive any benefit from or be bound by the terms of the Settlement. Under the terms and conditions of the Settlement and any subsequent final settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved.

The proposed aggregate pre-tax amount of the Settlement is $126, of which $65 would be contributed by WVAWC, and the remainder would be contributed by certain of the Company's general liability insurance carriers. The Company has general liability insurance under a series of policies underwritten by a number of individual carriers. Two of these insurance carriers, which provide an aggregate of $50 in insurance coverage to the Company under these policies, were requested, but presently have not agreed, to participate in the Settlement. The Company and WVAWC are vigorously pursuing their rights to insurance coverage from these non-participating carriers for any contributions by WVAWC to the Settlement. In this regard, WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constitutes a breach of contract, and the Company is pursuing mandatory arbitration against the other non-participating carrier.

The preliminary terms of the Settlement intend to establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76, of which $51 will be contributed by WVAWC, including insurance deductibles, and $25 would be contributed by one of the Company's general liability insurance carriers, and (ii) an individual review claim fund of up to $50, of which up to $14 would be contributed by WVAWC and $36 would be contributed by a number of the Company's general liability insurance carriers. Separately, up to $25 would be contributed to the guaranteed fund by another defendant to the Settlement.

As a result of these events, the Company recorded a charge to earnings, net of insurance receivables, of $65 ($39 after-tax) in the third quarter of 2016. The settlement amount of $126 is reflected in Accrued Liabilities and the offsetting insurance receivable is reflected in Other Current Assets in the Consolidated Balance Sheet as of December 31, 2016. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia for approximately $4 in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The $36 to be contributed by a number of the Company's general liability insurance carriers to the individual review claim fund, as noted above, is from higher layers of the insurance structure than the two insurance carriers that were requested, but presently have not agreed, to participate in the Settlement. Any recovery by WVAWC or the Company from the non-participating carriers would reimburse WVAWC for its contributions to the guaranteed fund.

Following the court's October 31 approval, the parties have continued to negotiate the details of the Settlement. If preliminary approval of the Settlement is obtained, notice of the terms of the Settlement would then be provided to members of the settlement class. Following the notice period, the court in the Federal action would hold a fairness hearing to consider final approval of the Settlement.

Other Related Investigations

Additionally, investigations with respect to the matter have been initiated by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the Public Service Commission of West Virginia (the "PSC"). As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act.

In May 2014, the PSC issued an Order initiating a General Investigation into certain matters relating to WVAWC's response to the Freedom Industries chemical spill. Three parties intervened in the proceeding, including the Consumer Advocate Division of the PSC and two attorney-sponsored groups, including one sponsored by some of the plaintiffs' counsel involved in the civil litigation described above. On January 26, 2017, WVAWC and the other parties agreed to resolve the General Investigation and filed a joint stipulation with the PSC containing the terms of the settlement. The parties to the joint stipulation filed a proposed order with the PSC on February 8, 2017.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. On September 28, 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. The Company provided written comments to the CSB's report suggesting that the recommendation made to the Company would be better directed to the U.S. Environmental Protection Agency in order to promote industry-wide implementation of the CSB's recommendation. On February 15, 2017, the Company filed a response to the CSB's recommendation. The CSB has indicated that it may consider issuing a supplemental report on the Freedom Industries chemical spill.

Missouri Infrastructure System Replacement Surcharge Litigation

On March 8, 2016, the Western District of the Missouri Court of Appeals ruled that the Missouri Public Service Commission ("MoPSC") did not have statutory authority to issue an order in June 2015 approving an infrastructure system replacement surcharge ("ISRS") for Missouri-American Water Company ("MAWC"), a wholly owned subsidiary of the Company. The court held that the MoPSC's June 2015 order authorizing the ISRS increase was invalid because St. Louis County did not have a population of at least one million residents, as required by the statute. MAWC believes that the MoPSC's June 2015 order authorizing the collection of ISRS revenues was lawful and will continue to challenge the ruling of the Court of Appeals. On June 28, 2016, the Missouri Supreme Court granted MAWC's application to transfer the case from the Court of Appeals to the Missouri Supreme Court, and as a result of that order, the March 8, 2016 ruling of the Court of Appeals has been vacated. Oral argument in this case was heard on November 1, 2016. As of December 31, 2016, the Company has determined the range of reasonably possible loss associated with this matter to be zero to $26.

Note 16: Earnings per Common Share

The following is a reconciliation of the numerator and denominator for basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2016	2015	2014
Numerator			
Income from continuing operations	$ 468	$ 476	$ 430
Loss from discontinued operations, net of tax	—	—	(7)
Net income attributable to common stockholders	$ 468	$ 476	$ 423
Denominator			
Weighted average common shares outstanding—Basic	178	179	179
Effect of dilutive common stock equivalents	1	1	1
Weighted average common shares outstanding—Diluted	179	180	180

The effect of dilutive common stock equivalents is related to the RSUs and stock options granted under the 2007 Plan, and shares purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2016, 2015 and 2014 because their effect would have been anti-dilutive under the treasury stock method.

Note 17: Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

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

The carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and fair values of the financial instruments were as follows:

	Carrying Amount	December 31, 2016			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 12	$ —	$ —	$ 15	$ 15
Long-term debt (excluding capital lease obligations)	6,320	3,876	1,363	1,805	7,044

	Carrying Amount	December 31, 2015			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 13	$ —	$ —	$ 18	$ 18
Long-term debt (excluding capital lease obligations)	5,914	3,397	1,419	1,941	6,757

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.
- Level 2—inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.
- Level 3—unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy as of December 31, 2016 and 2015, respectively:

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Restricted funds	$ 24	$ —	$ —	$ 24
Rabbi trust investments	12	—	—	12
Deposits	3	—	—	3
Mark-to-market derivative asset	—	28	—	28
Other investments	1	—	—	1
Total assets	40	28	—	68
Liabilities				
Deferred compensation obligation	13	—	—	13
Mark-to-market derivative liability	—	—	—	-
Total liabilities	13	—	—	13
Total net assets (liabilities)	$ 27	$ 28	$ —	$ 55

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Restricted funds	$ 27	$ —	$ —	$ 27
Rabbi trust investments	12		—	12
Deposits	1	—	—	1
Mark-to-market derivative asset	—	2	—	2
Other investments	4	—	—	4
Total assets	44	2	—	46
Liabilities				
Deferred compensation obligation	11	—	—	11
Mark-to-market derivative liability	—	1	—	1
Total liabilities	11	1	—	12
Total net assets (liabilities)	$ 33	$ 1	$ —	$ 34

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations and maintenance projects. The proceeds of these financings are held in escrow until the designated expenditures are incurred. Long-term restricted funds of $4 and $6 were included in other long-term assets as of December 31, 2016 and 2015, respectively.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

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

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

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

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets.

Note 18: Leases

The Company has entered into operating leases involving certain facilities and equipment. Rental expenses under operating leases were $24 for 2016, $21 for 2015 and $22 for 2014. The operating leases for facilities will expire over the next 25 years and the operating leases for equipment will expire over the next five years. Certain operating leases have renewal options ranging from one to five years.

The minimum annual future rental commitment under operating leases that have initial or remaining non-cancelable lease terms over the next five years and thereafter are as follows:

Year	Amount
2017	$ 14
2018	12
2019	11
2020	9
2021	6
Thereafter	70

The Company has a series of agreements with various public entities (the "Partners") to establish certain joint ventures, commonly referred to as "public-private partnerships." Under the public-private partnerships, the Company constructed utility plant, financed by the Company and the Partners constructed utility plant (connected to the Company's property), financed by the Partners. The Company agreed to transfer and convey some of its real and personal property to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs"), issued by the Partners under a state Industrial Development Bond and Commercial Development Act. The Company leased back the total facilities, including portions funded by both the Company and the Partners, under leases for a period of 40 years.

The leases related to the portion of the facilities funded by the Company have required payments from the Company to the Partners that approximate the payments required by the terms of the IDBs from the Partners to the Company (as the holder of the IDBs). As the ownership of the portion of the facilities constructed by the Company will revert back to the Company at the end of the lease, the Company has recorded these as capital leases. The lease obligation and the receivable for the principal amount of the IDBs are presented by the Company on a net basis. The gross cost of the facilities funded by the Company recognized as a capital lease asset was $152 and $156 as of December 31, 2016 and 2015, respectively, which is presented in property, plant and equipment in the accompanying Consolidated Balance Sheets. The future payments under the lease obligations are equal to and offset by the payments receivable under the IDBs.

As of December 31, 2016, the minimum annual future rental commitment under the operating leases for the portion of the facilities funded by the Partners that have initial or remaining non-cancelable lease terms in excess of one year included in the preceding minimum annual rental commitments are $4 in 2017 through 2021, and $66 thereafter.

Note 19: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions and assess performance. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates businesses that provide a broad range of related and complementary water and wastewater services in non-regulated markets, which includes four operating segments that individually do not meet the criteria of a reportable segment. These four non-reportable operating segments are collectively presented as our "Market-Based Businesses".

The Regulated Businesses segment is the largest component of the Company's business and includes 18 subsidiaries that provide water and wastewater services to customers in 16 states.

The Market-Based Businesses' four non-reportable operating segments are Military Services Group, Contract Operations Group, Homeowner Services Group and Keystone Operations. Military Services Group performs 50-year contracts with the U.S. Department of Defense for the operation and maintenance of the water and wastewater systems on certain military bases. Homeowner Services Group provides services to domestic homeowners and smaller commercial establishments to protect against the cost of repairing damaged or blocked pipes inside and outside their accommodations, as well as interior electric lines. Contract Operations Group performs contracts with municipalities, the food and beverage industry and other customers to operate and maintain water and wastewater facilities. Keystone Operations provides customized water sourcing, transfer services, pipeline construction, water and equipment hauling and water storage solutions, for natural gas exploration and production companies.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. See Note 2—Significant Accounting Policies. The Regulated Businesses segment and Market-Based Businesses include intercompany costs that are allocated by American Water Works Service Company, Inc. and intercompany interest that is charged by American Water Capital Corp., which are eliminated to reconcile to the consolidated results of operations. Inter-segment revenues, include the

sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, furniture and equipment provided by the Company's market-based subsidiaries to its regulated subsidiaries. "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

The following tables include the Company's summarized segment information as of and for the years ended December 31:

	2016			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,871	$ 451	$ (20)	$ 3,302
Depreciation and amortization	440	15	15	470
Total operating expenses, net	1,852	391	(21)	2,222
Interest, net	256	(2)	71	325
Income from continuing operations before income taxes	775	65	(70)	770
Provision for income taxes	303	26	(27)	302
Net income attributable to common stockholders	472	39	(43)	468
Total assets	16,405	637	1,440	18,482
Capital expenditures	1,274	18	19	1,311

	2015			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,743	$ 434	$ (18)	$ 3,159
Depreciation and amortization	411	8	21	440
Total operating expenses, net	1,732	370	(18)	2,084
Interest, net	248	(2)	62	308
Income from continuing operations before income taxes	776	68	(62)	782
Provision for income taxes	303	26	(23)	306
Net income attributable to common stockholders	473	42	(39)	476
Total assets	15,258	496	1,487	17,241
Capital expenditures	1,143	17	—	1,160

	2014			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,674	$ 355	$ (18)	$ 3,011
Depreciation and amortization	394	6	24	424
Total operating expenses, net	1,726	300	(18)	2,008
Interest, net	248	(2)	53	299
Income from continuing operations before income taxes	707	58	(55)	710
Provision for income taxes	273	18	(11)	280
Income from continuing operations	434	40	(44)	430
Loss from discontinued operations, net of tax	—	(7)	—	(7)
Net income attributable to common stockholders	434	33	(44)	423
Total assets	14,343	314	1,381	16,038
Capital expenditures	946	10	—	956

Note 20: Unaudited Quarterly Data

The following table summarizes certain supplemental unaudited consolidated quarterly financial data for each of the four quarters in the years ended December 31, 2016 and 2015, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

2016	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In millions, except per share data)			
Operating revenues	$ 743	$ 827	$ 930	$ 802
Operating income	214	299	319	248
Net income attributable to common stockholders	82	137	148	101
Basic earnings per share:				
Net income attributable to common stockholders	0.46	0.77	0.83	0.57
Diluted earnings per share:				
Net income attributable to common stockholders	0.46	0.77	0.83	0.57

2015	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In millions, except per share data)			
Operating revenues	$ 698	$ 782	$ 896	$ 783
Operating income	204	278	361	232
Net income attributable to common stockholders	80	123	174	99
Basic earnings per share:				
Net income attributable to common stockholders	0.45	0.69	0.97	0.55
Diluted earnings per share:				
Net income attributable to common stockholders	0.44	0.68	0.96	0.55

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2016, our disclosure controls and procedures were effective at a reasonable level of assurance. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed by or under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting, as of December 31, 2016, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our evaluation under the framework in *Internal Control—Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not given below or in Item 1—Business—Executive Officers of this Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance," "Proposal 1—Election of Directors" and "Certain Beneficial Ownership Matters—Section 16(a) Beneficial Ownership Reporting Compliance."

We have adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on our website at *https://amwater.com*. We intend to post on our website any amendments to our Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders, under the captions entitled "Executive Compensation," "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report," "Proposal 1—Election of Directors—Director Compensation" and "Proposal 1—Election of Directors—Director Compensation Table."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders, under the caption entitled "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2017 Annual Meeting of Stockholders, under the caption entitled "Fees Paid to Independent Registered Public Accounting Firm" and "Policy on the Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8— "Financial Statements and Supplementary Data" of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).
2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.
3. Exhibits. The list of documents contained in "Exhibit Index" to this Form 10-K is incorporated by reference in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 21st day of February, 2017.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 21st day of February, 2017, by the following persons in the capacities indicated.

/s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer and Director)

/s/ JULIE A. DOBSON
Julie A. Dobson
(Director)

/s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ PAUL J. EVANSON
Paul J. Evanson
(Director)

/s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

/s/ VERONICA M. HAGEN
Veronica M. Hagen
(Director)

/s/ GEORGE MACKENZIE
George MacKenzie
(Director)

/s/ JULIA L. JOHNSON
Julia L. Johnson
(Director)

/s/ MARTHA CLARK GOSS
Martha Clark Goss
(Director)

/s/ KARL F. KURZ
Karl F. Kurz
(Director)

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
4.1	Indenture, dated as of October 22, 2007 between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers' Certificate, dated December 15, 2010, establishing the 6.00% Senior Monthly Notes due 2040 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 15, 2010).
4.4	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.5	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.6	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.8	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.10	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.12	Note Purchase Agreement, as amended, dated December 21, 2006, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 4.2 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007) with respect to the 5.52% Series B Senior Notes due December 21, 2016, 5.62% Series C Senior Notes due December 21, 2018 and 5.77% Series D Senior Notes due December 21, 2021.
4.13	Note Purchase Agreement, as amended, dated March 29, 2007, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 4.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007) with respect to 5.62% Series E Senior Notes due March 29, 2019 and 5.77% Series F Senior Notes due March 29, 2022.
4.14	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.25% Series G Senior Notes due May 15, 2018 and the 6.55% Series H Senior Notes due May 15, 2023.
10.1	Amended and Restated Credit Agreement, dated as of June 30, 2015, by and among American Water Works Company, Inc., American Water Capital Corp., each of the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd. and PNC Bank, National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on July 7, 2015).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Employment Letter Agreement between Linda G. Sullivan and American Water Works Company, Inc. dated March 10, 2014 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2014).
10.4*	Amended and Restated Letter Agreement between Loyd Warnock and American Water Works Company, Inc. dated May 7, 2014 (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.5*	Letter, dated December 12, 2014, by and between American Water Works Company, Inc. and Brenda J. Holdnak, Ph.D. (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).

Exhibit Number	Exhibit Description
10.6*	Letter, dated February 17, 2015, by and between American Water Works Company, Inc. and Michael A. Sgro (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
10.7*	Severance Agreement and General Release, dated March 27, 2015, by and between American Water Works Company, Inc. and John Bigelow (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.8*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.9.1*	American Water Works Company, Inc. Nonqualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.15 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145725, filed March 31, 2008).
10.9.2*	Amendment 2010-1 to the American Water Works Company, Inc. Nonqualified Employee Stock Purchase Plan, dated as of December 10, 2010 (incorporated by reference to Exhibit 10.12 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 28, 2011).
10.10*	American Water Works Company, Inc. Executive Severance Policy, dated as of December 16, 2008 (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 3, 2010).
10.11.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.11.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2011 Nonqualified Stock Option Grant for ML1 – L5 Employees (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2011).
10.11.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Nonqualified Stock Option Grant for ML1 – L5 Employees (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2012).
10.11.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2013).
10.11.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2014).
10.11.6*	Amendment to the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Nonqualified Stock Option Grant Form for ML2 – L5 (incorporated by reference to Exhibit 10.6A to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 7, 2014).
10.11.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan May 2014 Nonqualified Stock Option Grant Form for Susan N. Story (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.11.8*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.13.10 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.9*	Amendment to American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.13.11 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Nonqualified Stock Option Grant (for certain executives) (incorporated by reference to Exhibit 10.13.12 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.11*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.12*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (for certain executives) (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.13*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.13.17 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.14*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Restricted Stock Unit Grant (for certain executives) (incorporated by reference to Exhibit 10.13.18 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.15*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan Form of Restricted Stock Unit Grant for Brenda J. Holdnak (incorporated by reference to Exhibit 10.13.19 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).

Exhibit Number	Exhibit Description
10.11.16*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.17*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (for certain executives) (incorporated by reference to Exhibit 10.2.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.18*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.13.28 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.19*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.13.29 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.20*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13.30 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.21*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.13.31 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.22*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Conditional Performance Stock Unit Grant Form A for certain executive officers (incorporated by reference to Exhibit 10.13.32 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.23*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Conditional Performance Stock Unit Grant Form B for certain executive officers (incorporated by reference to Exhibit 10.13.33 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11.24*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.25*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.3.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.26*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.27*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.3.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.11.28*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2010 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 4, 2010).
10.11.29*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2011 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2011).
10.11.30*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2012 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2012).
10.11.31*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.11.32*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.11.33*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2015 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
10.11.34*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.12.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.12.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).

Exhibit Number	Exhibit Description
10.13*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.14*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.37 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.15*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.16	Binding Global Agreement in Principle to Settle Claims Arising from the Freedom Industries, Inc. Chemical Spill, dated as of October 31, 2016 (filed herewith).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
101	The following financial statements from American Water Works Company, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Stockholders' Equity; and (vi) the Notes to Consolidated Financial Statements (filed herewith).

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

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Section 2: EX-10.16 (EX-10.16)

Exhibit 10.16

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SETTLEMENT TERM SHEET

This term sheet sets out the principles, terms and conditions of the agreed upon settlement between West Virginia-American Water Company ("WVAW"), American Water Works Service Company, Inc. and American Water Works Company, Inc. (collectively, the "American Water Defendants") and all class members, putative class members, claimants and potential claimants (collectively, "Plaintiffs") as described below. The parties will further document all necessary detailed terms and criteria that will govern the settlement, the court approval process and the administration of claims in a final settlement agreement ("Agreement"). The final Agreement will identify a proposed settlement class for certification by the Court and the parties will direct notice to the class members and seek final Court approval of the Agreement consistent with Rule 23 of the Federal Rules of Civil Procedure.

1. By entering into this term sheet and any subsequent settlement agreement, the American Water Defendants admit no fault or liability for any of the allegations made in any of the actions to be resolved.

2. The parties will jointly develop a notice regime, subject to Court approval, that will seek to maximize participation under this Agreement. In order to accomplish this, the parties will retain a nationally recognized notice expert.

3. Structure of Settlement Payments: The parties intend that the monies made available by the American Water Defendants under the settlement will be divided into two tiers, with the first tier comprised of a settlement fund ("Guaranteed Fund") for making specified payments to qualifying class members and the second tier comprised of a mechanism to determine and pay claim amounts ("Claim Based Payments") with adequate support for damages sought. The criteria for payment including a potential cap on claims will be negotiated by the parties. The American Water Defendants' total contribution under this settlement shall not under any circumstances exceed $126 million.

a. Guaranteed Fund:

i. Following final approval of the settlement by the Court, the American Water Defendants agree to contribute $76 million into a settlement fund to be administered and distributed in the form of direct payments to residential and business class members. In order to be eligible to receive this direct payment, there will need to be satisfactory proof provided to the claims administrator that as of January 9, 2014, the class member was a residential or business customer of WVAW served by the Kanawha Valley Treatment Plant.

ii. Each qualifying residential class member may receive a single uniform payment (in an amount to be negotiated).

iii. Each qualifying business customer may receive a single uniform payment (in an amount to be negotiated) that will be treated as compensation for all claims or potential claims by that business customer.

iv. Subject to further negotiation, the parties intend that the monies received from the settlement between the Plaintiffs and Eastman Chemical Company ("Eastman") will be considered together with the monies in the Guaranteed Fund in this settlement in making payments to qualified class members.

v. Any monies remaining in the Guaranteed Fund after all timely claims have been paid shall first be used to pay claims made for Claims Based Payments as discussed below, and if not exhausted by Claims Based Payments the remaining monies in the Guaranteed Fund will be distributed as additional pro rata payments to class members who accepted standard payments from the Guaranteed Fund.

b. Claims Based Payments:

i. The American Water Defendants will make available up to $50 million for Claims Based Payments. Class members who do not wish to accept the standard payment from the Guaranteed Fund may forgo the standard payment and instead pursue a Claims Based Payment based on submission of claim forms (by a date certain to be determined) with appropriate objective documentation and a determination by the settlement administrator of a demonstrated payment amount under criteria to be negotiated by the parties.

ii. Wage earners who were not customers of WVAW served by the KVTP on January 9, 2014 and who assert that they lost wages due to the closure of business customers served by the KVTP may make a claim for a Claims Based Payment with appropriate objective documentation and a determination by the settlement administrator of a demonstrated payment amount under criteria to be negotiated by the parties.

iii. Claims Based Payments will be paid following determination by the administrator of the amount to be paid to all claimants under the criteria to be negotiated by the parties, with funds first depleting the remaining Guaranteed Funds and then using the American Water Defendants' Claims Based Payment funds up to $50 million.

c. Attorneys' Fees and Administrative Costs of Settlement

i. The amount of attorneys' fees and costs payable through the settlement are subject to approval by the Court pursuant to Rule 23 of the Federal Rules of Civil Procedure.

ii. All attorneys' fees and administrative costs of settlement will be paid from the Guaranteed Fund and/or Claims Based Payment fund expended and/or the Eastman settlement amount in a manner to be negotiated.

iii. The American Water Defendants shall have no other obligation to pay attorneys' fees or administrative costs of settlement.

4. This proposal is intended to accomplish a global resolution of all litigation and all potential claims against the American Water Defendants and their insurers arising from the January 2014 chemical spill into the Elk River from the Freedom Industries, Inc. site, any uptake of the spilled chemical into Kanawha Valley Distribution System operated by WVAW, any response to the spill or the introduction of the chemical, and all effects that resulted and all claimants irrespective of whether they are represented by the signatories to this claim sheet, including an express release of all related pending and future matters against any of the American Water Defendants in either state or federal court, including those matters identified on Exhibit A. [ADD LIST OF ALL MATTERS PENDING]. Individuals and entities who previously opted out of the class, whether or not they have filed independent state court actions, are expected to participate in the settlement and to release and dismiss any pending or potential future claims against the American Water Defendants and its insurers consistent with the scope of the release.

5. The settlement is contingent on achieving participation of all potential claimants though the parties anticipate that some relatively small number of claimants may opt out of participation in any future settlement. Counsel who have negotiated this Term Sheet on behalf of Plaintiffs have represented that they intend to work within the terms of the settlement. The American Water Defendants will have the option of terminating obligations under the Class Settlement if opt outs exceed either 900 individual claimants or 250 business claimants.

6. Payment of claims will be made through an agreed upon claims process to be administered by an agreed upon administrator. Plaintiffs and the American Water Defendants intend to work with Eastman to develop a mutually acceptable claims process that will allow distribution of funds from this settlement and the Eastman settlement in a coordinated manner through a single administrator. The administrator of the claims process shall be selected jointly by Class counsel and counsel for Eastman and the American Water Defendants.

7. This term sheet is binding in principle and subject to the Court’s approval of a final settlement agreement, the terms of which will be negotiated to a reasonable conclusion between Plaintiffs and the American Water Defendants.

8. Regulatory Issues:

a. WVAW will not seek rate recovery from the Public Service Commission of West Virginia for response costs incurred by WVAW relating to the Freedom spill. The approximate amount of these potential claims that will not be pursued is $4 million.

b. WVAW will not seek rate recovery from the Public Service Commission of West Virginia for amounts paid pursuant to the final Settlement.

Revision 10/31/16

/s/ Stuart Calwell
Stuart Calwell, Esq. (WVSB #0595)
Alex McLaughlin , Esq. (WVSB #9696)
The Calwell Practice, LC
Law and Arts Center West
500 Randolph Street
Charleston, West Virginia 25302
Phone: 304-343-4323
Facsimile: 304-344-3684
scalwell@calwelllaw.com
amclaughlin@calwelllaw.com

/s/ Kevin W. Thompson
Kevin W. Thompson, Esq. (WVSB #5062)
Thompson Barney
2030 Kanawha Boulevard, East
Charleston, West Virginia 25311
Phone: 304-343-4401
Facsimile: 304-343-4405
kwthompsonwv@gmail.com

/s/ Van Bunch
Van Bunch, Esq. (WVSB #10608)
Bonnett Fairbourn Friedman & Balint PC
2325 E. Camelback Road, Suite 300
Phoenix, Arizona 85016
Phone: 602-274-1100
vbunch@bffb.com

/s/ Jonathan R. Marshall
Jonathan R. Marshall (WVSB #10580) Bailey & Glasser LLP
209 Capitol Street
Charleston, WV 25301
Phone: 304-345-6555
Facsimile: 304-342-1110
JMarshall@baileyglasser.com

/s/ Thomas J. Hurney, Jr.
Thomas J. Hurney, Jr. (WV Bar No. 1833)
JACKSON KELLY PLLC
500 Lee Street, East, Suite 1600 (25301)
P. O. Box 553
Charleston, West Virginia 25322
(304) 340-1000

/s/ Kent Mayo
Kent Mayo (admitted Pro Hac Vice)
BAKER BOTTS L.L.P.
1299 Pennsylvania Avenue, NW
Washington, DC 20004
(202) 639-1122

Counsel for the American Water Defendants

Revision 10/31/16

/s/ Anthony J. Majestro
Anthony J. Majestro, Esq. (WVSB #5165)
Powell & Majestro, PLLC
405 Capitol Street , Suite P-1200
Charleston, WV 25301
Phone: 304-346-2889
Facsimile: 304-346-2895
mailto:amajestro@powellmajestro.com

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Section 3: EX-21.1 (EX-21.1)

Exhibit 21.1

American Water Works Company, Inc.'s Subsidiaries

As of February 21, 2017

Entity Name	Entity Type	Jurisdiction of Organization
AAET, INC.	Corporation	Delaware
American Industrial Water LLC	Limited Liability Company	Ohio
American Lake Water Company	Corporation	Illinois
American Water – Acciona Agua LLC	Limited Liability Company	Delaware
American Water (USA), Inc.	Corporation	Delaware
American Water Canada Corp.	Corporation	Ontario
American Water Capital Corp.	Corporation	Delaware
American Water Carbon Services Corp.	Corporation	Ontario
American Water Enterprises Holding, Inc.	Corporation	Delaware
American Water Enterprises, Inc.	Corporation	Delaware
American Water Military Services, LLC	Limited Liability Company	Delaware
American Water Operations and Maintenance, Inc.	Corporation	Texas
American Water Resources Holdings, Inc.	Corporation	Delaware
American Water Resources of Florida, Inc.	Corporation	Delaware
American Water Resources of Texas, Inc.	Corporation	Delaware
American Water Resources, LLC	Limited Liability Company	Virginia
American Water Services CDM, Inc.	Corporation	Washington
American Water Services Underground Infrastructure Corp.	Corporation	Ontario
American Water Services, LLC	Limited Liability Company	Delaware
American Water Works Service Company, Inc.	Corporation	Delaware
AW Contract Services (Canada), Inc.	Corporation	Federally Chartered (Canada)
AWI, Inc.	Corporation	Delaware
AW Technologies Incorporated	Corporation	Delaware
Bluefield Valley Water Works Company	Corporation	Virginia
California-American Water Company	Corporation	California
Cocoa Properties I, LLC	Limited Liability Company	Delaware
Edison Water Company	Corporation	New Jersey
EMC American Water Canada, Inc.	Corporation	Federally Chartered (Canada)
EMC of St. Charles County, LLC	Limited Liability Company	Missouri
Environmental Disposal Corporation	Corporation	New Jersey
Environmental Management Corporation	Corporation	Missouri
E'Town Properties, Inc.	Corporation	Delaware
E'Town Services, LLC	Limited Liability Company	New Jersey
Hawaii-American Water Company	Corporation	Nevada
Illinois-American Water Company	Corporation	Illinois
Indiana-American Water Company, Inc.	Corporation	Indiana
Iowa-American Water Company	Corporation	Delaware
Kentucky-American Water Company	Corporation	Kentucky
Keystone Clearwater Solutions, LLC	Limited Liability Company	Delaware
Laurel Oak Properties Corporation	Corporation	Delaware
Liberty Water Company	Corporation	New Jersey
Maryland-American Water Company	Corporation	Maryland
Michigan-American Water Company	Corporation	Michigan
Missouri-American Water Company	Corporation	Missouri
Mt. Ebo Sewage Works, Inc.	Corporation	New York
New Jersey-American Water Company, Inc.	Corporation	New Jersey

Entity Name	Entity Type	Jurisdiction of Organization
New York American Water Company, Inc.	Corporation	New York
OMI/Thames Water Stockton, Inc.	Corporation	Delaware
One Water Street LLC	Limited Liability Company	New Jersey
Pennsylvania-American Water Company	Corporation	Pennsylvania
Prism-Berlie (Windsor) Limited	Corporation	Ontario
SWC Acquisition Company	Corporation	New Jersey
Tennessee-American Water Company	Corporation	Tennessee
TWH LLC	Limited Liability Company	Delaware
TWNA, Inc.	Corporation	Delaware
Virginia-American Water Company	Corporation	Virginia
Water Solutions Holdings, LLC	Limited Liability Company	Delaware
West Virginia-American Water Company	Corporation	West Virginia

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Section 4: EX-23.1 (EX-23.1)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-168543 and 333-150381) and Form S-3 (Nos. 333-203949 and 333-209933) of American Water Works Company, Inc. of our report dated February 21, 2017 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10−K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 21, 2017

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Section 5: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Susan N. Story, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 21, 2017

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

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Section 6: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Linda G. Sullivan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 21, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 7: EX-32.1 (EX-32.1)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Susan N. Story, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

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

February 21, 2017

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Section 8: EX-32.2 (EX-32.2)

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Linda G. Sullivan, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

February 21, 2017

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Section 1: 10-Q (10-Q)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from _____ to _____

Commission file number 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

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

(856) 346-8200

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of

this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
	(Do not check if a smaller reporting company)	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Class	Outstanding as of July 26, 2018
Common Stock, $0.01 par value per share	**180,492,198 shares (excludes 4,683,156 treasury shares as of July 26, 2018)**

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FORWARD-LOOKING STATEMENTS

We have made statements in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Quarterly Report on Form 10-Q ("Form 10-Q"), that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things, our future financial performance, including our operation and maintenance ("O&M") efficiency ratio, our cash flows, our growth and portfolio optimization strategies, our projected capital expenditures and related funding requirements, our ability to repay debt, our projected strategy to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory, legislative, tax policy or legal developments or rate adjustments, including rate case filings, filings for infrastructure surcharges and filings to address regulatory lag, and impacts that the Tax Cuts and Jobs Act (the "TCJA") may have on us and our business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results or levels of activity, performance or achievements, and you are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Our actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions, taxes, permitting and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts;
- limitations on the availability of our water supplies or sources of water, or restrictions on our use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, water quality and emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions, including matters related to the Freedom Industries chemical spill in West Virginia and the approved global class action settlement related to this chemical spill;
- our ability to appropriately maintain current infrastructure, including our operational and information technology ("IT") systems, and manage the expansion of our business;

- exposure or infiltration of our critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber attacks or other means;
- our ability to obtain permits and other approvals for projects;
- changes in our capital requirements;
- our ability to control operating expenses and to achieve efficiencies in our operations;
- the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers;
- our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations;
- our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things:
    - acquire, close and successfully integrate regulated operations and market-based businesses;

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- enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses; and
- realize anticipated benefits and synergies from new acquisitions;

- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of our operations;
- our ability to maintain safe work sites;
- our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water service and management solutions that are focused on customers in the shale natural gas exploration and production market;
- changes in general economic, political, business and financial market conditions;
- access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- restrictive covenants in or changes to the credit ratings on us or our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends;
- fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements;
- changes in federal or state general, income and other tax laws, including any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the TCJA, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. federal and state income tax net operating loss ("NOL") carryforwards;
- migration of customers into or out of our service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn our systems, or the assertion by private landowners of similar rights against us;
- our difficulty or inability to obtain insurance, our inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or our inability to obtain reimbursement under existing insurance programs for any losses sustained;
- the incurrence of impairment charges related to our goodwill or other assets;
- labor actions, including work stoppages and strikes;
- our ability to retain and attract qualified employees;
- civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and

- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risk factors and other statements contained in our Annual Report on Form 10-K for the year ended December 31, 2017 ("Form 10-K"), and in this Form 10-Q, and you should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements we make speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

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PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	June 30, 2018	December 31, 2017
ASSETS		
Property, plant and equipment	$ 22,361	$ 21,716
Accumulated depreciation	(5,584)	(5,470)
Property, plant and equipment, net	16,777	16,246
Current assets:		
Cash and cash equivalents	68	55
Restricted funds	27	27
Accounts receivable, net	324	272
Unbilled revenues	212	212
Materials and supplies	42	41
Other	160	113
Total current assets	833	720
Regulatory and other long-term assets:		
Regulatory assets	1,069	1,061
Goodwill	1,621	1,379
Intangible assets	101	9
Other	70	67
Total regulatory and other long-term assets	2,861	2,516
Total assets	$ 20,471	$ 19,482

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	June 30, 2018	December 31, 2017
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 185,173,388 and 182,508,564 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,637	6,432
Accumulated deficit	(537)	(723)
Accumulated other comprehensive loss	(69)	(79)
Treasury stock, at cost (4,683,156 and 4,064,010 shares, respectively)	(297)	(247)
Total common stockholders' equity	5,736	5,385
Long-term debt	6,345	6,490
Redeemable preferred stock at redemption value	7	8
Total long-term debt	6,352	6,498
Total capitalization	12,088	11,883
Current liabilities:		
Short-term debt	1,649	905
Current portion of long-term debt	364	322
Accounts payable	139	195
Accrued liabilities	530	630
Taxes accrued	48	33
Interest accrued	69	73
Other	152	167
Total current liabilities	2,951	2,325
Regulatory and other long-term liabilities:		
Advances for construction	263	271
Deferred income taxes, net	1,617	1,551
Deferred investment tax credits	22	22
Regulatory liabilities	1,713	1,664
Accrued pension expense	397	384
Accrued post-retirement benefit expense	38	40
Other	84	66
Total regulatory and other long-term liabilities	4,134	3,998
Contributions in aid of construction	1,298	1,276
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	$ 20,471	$ 19,482

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Operating revenues	$ 853	$ 844	$ 1,614	$ 1,600
Operating expenses:				
Operation and maintenance	348	347	695	681
Depreciation and amortization	134	126	263	250
General taxes	69	63	139	131
Gain on asset dispositions and purchases	—	(2)	(2)	(2)
Total operating expenses, net	551	534	1,095	1,060
Operating income	302	310	519	540
Other income (expense):				
Interest, net	(86)	(85)	(170)	(170)
Non-operating benefit costs, net	2	(2)	5	(5)
Other, net	4	3	8	6
Total other income (expense)	(80)	(84)	(157)	(169)
Income before income taxes	222	226	362	371
Provision for income taxes	60	95	94	147
Net income attributable to common stockholders	$ 162	$ 131	$ 268	$ 224
Basic earnings per share: (a)				
Net income attributable to common stockholders	$ 0.90	$ 0.74	$ 1.50	$ 1.26
Diluted earnings per share: (a)				
Net income attributable to common stockholders	$ 0.91	$ 0.73	$ 1.50	$ 1.26
Weighted-average common shares outstanding:				
Basic	179	178	179	178
Diluted	179	179	179	179
Dividends declared per common share	$ 0.455	$ 0.415	$ 0.455	$ 0.415

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to common stockholders	$ 162	$ 131	$ 268	$ 224
Other comprehensive income (loss), net of tax:				
Pension amortized to periodic benefit cost:				
Actuarial loss, net of tax of $2 and $1 for the three months and $1 and $2 for the six months ended June 30, 2018 and 2017, respectively	6	2	4	4
Foreign currency translation adjustment	—	—	—	(1)
Unrealized gain (loss) on cash flow hedges, net of tax of $0 and $(3) for the three months ended and $2 and $(1) for the six months ended June 30, 2018 and 2017, respectively	—	(5)	6	(2)
Net other comprehensive income (loss)	6	(3)	10	1
Comprehensive income attributable to common stockholders	$ 168	$ 128	$ 278	$ 225

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 268	$ 224
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	263	250
Deferred income taxes and amortization of investment tax credits	82	137
Provision for losses on accounts receivable	12	11
Gain on asset dispositions and purchases	(2)	(2)
Pension and non-pension post-retirement benefits	16	29
Other non-cash, net	(2)	(50)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(41)	(3)
Pension and non-pension post-retirement benefit contributions	—	(23)
Accounts payable and accrued liabilities	(54)	(46)
Other assets and liabilities, net	(17)	(3)
Net cash provided by operating activities	525	524
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(739)	(602)
Acquisitions, net of cash acquired	(377)	(9)
Proceeds from sale of assets	7	4
Removal costs from property, plant and equipment retirements, net	(40)	(28)
Net cash used in investing activities	(1,149)	(635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	15	20
Repayments of long-term debt	(119)	(6)
Net short-term borrowings with maturities less than three months	746	268
Proceeds from issuances of employee stock plans and direct stock purchase plan	12	16
Proceeds from issuance of common stock	183	—
Advances and contributions for construction, net of refunds of $16 and $11 for the six months ended June 30, 2018 and 2017, respectively	7	12
Dividends paid	(155)	(141)
Anti-dilutive share repurchases	(45)	(54)
Taxes paid related to employee stock plans	(6)	(10)
Net cash provided by financing activities	638	105
Net (decrease) increase in cash and cash equivalents and restricted funds	14	(6)
Cash and cash equivalents and restricted funds at beginning of period	83	99
Cash and cash equivalents and restricted funds at end of period	$ 97	$ 93
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of end of period	$ 180	$ 145

Acquisition financed by treasury stock	$ —	$ 33

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
(In millions)

	Common Stock		Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2017	182.5	$ 2	$6,432	$ (723)	$ (79)	(4.1)	$(247)	$ 5,385
Net income attributable to common stockholders	—	—	—	268	—	—	—	268
Direct stock reinvestment and purchase plan	0.1	—	4	—	—	—	—	4
Employee stock purchase plan	0.1	—	4	—	—	—	—	4
Stock-based compensation activity	0.2	—	14	(1)	—	(0.1)	(5)	8
Issuance of common stock	2.3	—	183	—	—	—	—	183
Repurchases of common stock	—	—	—	—	—	(0.5)	(45)	(45)
Net other comprehensive income	—	—	—	—	10	—	—	10
Dividends	—	—	—	(81)	—	—	—	(81)
Balance as of June 30, 2018	185.2	$ 2	$6,637	$ (537)	$ (69)	(4.7)	$(297)	$ 5,736

	Common Stock		Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2016	181.8	$ 2	$6,388	$ (873)	$ (86)	(3.7)	$(213)	$ 5,218
Cumulative effect of change in accounting principle	—	—	—	21	—	—	—	21
Net income attributable to common stockholders	—	—	—	224	—	—	—	224
Direct stock reinvestment and purchase plan	0.1	—	5	—	—	—	—	5
Employee stock purchase plan	—	—	4	—	—	—	—	4
Stock-based compensation activity	0.4	—	13	—	—	(0.1)	(7)	6
Acquisitions via treasury stock	—	—	6	—	—	0.4	27	33
Repurchases of common stock	—	—	—	—	—	(0.7)	(54)	(54)
Net other comprehensive income	—	—	—	—	1	—	—	1
Dividends	—	—	—	(74)	—	—	—	(74)
Balance as of June 30, 2017	182.3	$ 2	$6,416	$ (702)	$ (85)	(4.1)	$(247)	$ 5,384

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements provided in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (collectively, "American Water" or the "Company"), in which a controlling interest is maintained after the elimination of intercompany accounts and transactions. The unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting, and with the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of June 30, 2018, and results of operations and cash flows for all periods presented have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2017 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

The Company adopted the following accounting standards as of January 1, 2018:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Revenue from Contracts with Customers	Changes the criteria for recognizing revenue from a contract with a customer. Replaces existing guidance on revenue recognition, including most industry specific guidance. The objective is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows.	January 1, 2018	Modified retrospective	The adoption had no material impact on the Consolidated Financial Statements. The primary impact was the additional disclosures required in the Notes to Consolidated Financial Statements. See Note 3—Revenue Recognition for additional information.
Clarifying the Definition of a Business	Updated the accounting guidance to clarify the definition of a business with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions, or disposals, of assets or businesses.	January 1, 2018	Prospective	The adoption had no material impact on the Consolidated Financial Statements.
Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-Retirement Benefit Cost	Updated authoritative guidance requires the service cost component of net periodic benefit cost to be presented in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. The remaining components of net periodic benefit cost are required to be presented separately from the service cost component in an income statement line item outside of operating income. Also, the guidance only	January 1, 2018	Retrospective for the presentation of the service cost component and the other components of net periodic benefit costs on the income statement; prospective for the limitation of	The Company presented in the current period, and reclassified in the prior period, net periodic benefit costs, other than the service cost component, in Non-operating benefit costs, net

allows for the service cost component to be eligible for capitalization. The updated guidance does not impact the accounting for net periodic benefit costs as regulatory assets or liabilities.	capitalization to only the service cost component of net periodic benefit costs in total assets.	on the Consolidated Statements of Operations.

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The following recently issued accounting standards have not yet been adopted by the Company as of June 30, 2018:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	Permits an entity to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act (the "TCJA") to retained earnings.	January 1, 2019; early adoption permitted	In the period of adoption or retrospective.	The Company is evaluating the impact on its Consolidated Financial Statements, as well as the timing of adoption.
Accounting for Leases	Updated the accounting and disclosure guidance for leasing arrangements. Under this guidance, a lessee will be required to recognize the following for all leases, excluding short-term leases, at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the guidance, lessor accounting is largely unchanged. A package of optional transition practical expedients allows an entity not to reassess under the new guidance: (i) whether any existing contracts are or contain leases; (ii) lease classification; and (iii) initial direct costs. Additional optional transition practical expedients are available which allow an entity not to evaluate existing land easements if the easements were not previously accounted for as leases, and to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment in the opening balance of retained earnings in the period of adoption.	January 1, 2019; early adoption permitted	Modified retrospective	The Company has not yet quantified the impact of recognizing right-of-use assets and lease liabilities but is evaluating the impact on its Consolidated Financial Statements. The Company has defined a process to meet the accounting and reporting requirements of the guidance and is assessing lease arrangements. The Company expects to elect all practical expedients available under the new lease accounting and disclosure guidance.
Accounting for Hedging Activities	Updated the accounting and disclosure guidance for hedging activities, which allows for more financial and nonfinancial hedging strategies to be eligible for hedge accounting. Under this guidance, a qualitative effectiveness assessment is permitted for certain hedges if an entity can reasonably support an expectation of high effectiveness throughout the term of the hedge, provided that an initial quantitative test establishes that the hedge relationship is highly effective. Also, for cash flow hedges determined to be highly effective, all changes in the fair value of the hedging instrument will be recorded in other comprehensive income with a subsequent reclassification to earnings when the hedged item impacts earnings.	January 1, 2019; early adoption permitted	Modified retrospective for adjustments related to the measurement of ineffectiveness for cash flow hedges; prospective for the updated presentation and disclosure requirements.	The Company does not expect the adoption to have a material impact on its Consolidated Financial Statements based on its hedging activities as of the balance sheet date. The Company is evaluating the timing of adoption.
Simplification of Goodwill Impairment Testing	Updated authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in the update, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying value exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	January 1, 2020; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Measurement of Credit Losses	Updated the accounting guidance on reporting credit losses for financial assets held at amortized cost basis and available-for-sale debt securities. Under this guidance, expected credit losses are required to be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. Also, this guidance requires that credit losses on available-for-sale	January 1, 2020; early adoption permitted	Modified retrospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

debt securities be presented as an allowance rather than as a direct write-down.

Cash, Cash Equivalents and Restricted Funds

The following table provides a reconciliation of the cash, cash equivalents and restricted funds as presented on the Consolidated Balance Sheets, to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the periods ended June 30:

	2018	2017
Cash and cash equivalents	$ 68	$ 64
Restricted funds	27	28
Restricted funds included in other long-term assets	2	1
Cash and cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	$ 97	$ 93

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Reclassifications

Certain reclassifications have been made to prior periods in the accompanying Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers,* and all related amendments (collectively, "ASC 606" or the "standard"), using the modified retrospective approach, applied to contracts which were not completed as of January 1, 2018. Under this approach, periods prior to the adoption date have not been restated and continue to be reported under the accounting standards in effect for those periods. The Company's revenue associated with alternative revenue programs and lease contracts are outside the scope of ASC 606 and accounted for under other existing GAAP.

Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component. See Note 14—Segment Information for further discussion of the Company's operating segments.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contract and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company elected to use the right to invoice and the disclosure of remaining performance obligations practical expedients for these revenues.

Market-Based Businesses Revenue

Through various protection programs, the Company provides fixed fee services to domestic homeowners and smaller commercial customers to protect against repair costs for interior and external water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters, power surge protection and other related services. Most of the contracts have a one-year term and each service is a separate performance obligation, satisfied over time, as the

customers simultaneously receive and consume the benefits provided from the service. Customers are obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for these services. Advances from customers are deferred until the performance obligation is satisfied. The Company elected to use the disclosure of remaining performance obligations practical expedients for these revenues.

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The Company's Market-Based Businesses also have long-term, fixed fee contracts to operate and maintain water and wastewater facilities with the U.S. government on various military bases and facilities owned by municipal and industrial customers, as well as shorter-term contracts that provide water management solutions for shale natural gas companies and customers in the water services market. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. The Company elected to use the significant financing component practical expedient for these contract revenues. Losses on contracts are recognized during the period in which the loss first becomes probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues, and are recognized in the period in which revisions are determined.

Disaggregated Revenues

The following table summarizes the Company's operating revenues disaggregated for the three months ended June 30, 2018:

(In millions)	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 410	$ —	$ 410
Commercial	152	—	152
Industrial	34	—	34
Public and other	85	—	85
Total water services	681	—	681
Wastewater services:			
Residential	27	—	27
Commercial	7	—	7
Industrial	—	—	—
Public and other	4	—	4
Total wastewater services	38	—	38
Miscellaneous utility charges	12	—	12
Alternative revenue programs	—	11	11
Lease contract revenue	—	2	2
Total Regulated Businesses	731	13	744
Market-Based Businesses	114	—	114
Other	(5)	—	(5)
Total operating revenues	$ 840	$ 13	$ 853

(a) Includes revenues associated with alternative revenue programs and lease contracts which are outside the scope of ASC 606 and accounted for under other existing GAAP.

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The following table summarizes of the Company's operating revenues disaggregated for the six months ended June 30, 2018:

(In millions)	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 778	$ —	$ 778
Commercial	285	—	285
Industrial	65	—	65
Public and other	165	—	165
Total water services	1,293	—	1,293
Wastewater services:			
Residential	54	—	54
Commercial	14	—	14
Industrial	1	—	1
Public and other	7	—	7
Total wastewater services	76	—	76
Miscellaneous utility charges	23	—	23
Alternative revenue programs	—	14	14
Lease contract revenue	—	4	4
Total Regulated Businesses	1,392	18	1,410
Market-Based Businesses	214	—	214
Other	(10)	—	(10)
Total operating revenues	$ 1,596	$ 18	$ 1,614

(a) Includes revenues associated with alternative revenue programs and lease contracts which are outside the scope of ASC 606 and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Market-Based Businesses, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition, and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts and home warranty protection program contracts, and are recognized as revenue when the associated performance obligations are satisfied. Contract assets are included in unbilled revenues and contract liabilities are in included in other current liabilities on the Consolidated Balance Sheets as of June 30, 2018.

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The following table summarizes the changes in contract assets and liabilities for the six months ended June 30, 2018:

(In millions)		
Contract assets:		
Balance at January 1, 2018	$	35
Additions		13
Transfers to accounts receivable, net		(33)
Balance at June 30, 2018	$	15
Contract liabilities:		
Balance at January 1, 2018	$	25
Additions		36
Transfers to operating revenues		(34)
Balance at June 30, 2018	$	27

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. As of June 30, 2018, the Company's operation and maintenance and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military bases expire between 2051 and 2068 and have RPOs of $3.8 billion as of June 30, 2018, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2018 and 2038 and have RPOs of $686 million as of June 30, 2018, as measured by estimated remaining contract revenue. Approximately $44 million of RPOs were eliminated in conjunction with the sale of 17 of the Company's Contract Operations Group's contracts to subsidiaries of Veolia Environnement S.A. on July 13, 2018. See Note 15—Subsequent Events for further discussion of this transaction.

Note 4: Acquisitions

Regulated Acquisitions

During the six months ended June 30, 2018, the Company closed on six acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $14 million. Assets acquired in these acquisitions, principally utility plant, totaled $15 million. Liabilities assumed, primarily contributions in aid of construction, totaled $1 million.

Pivotal Home Solutions Acquisition

On June 4, 2018, the Company, through its subsidiary American Water Enterprises, LLC, completed the acquisition of Pivotal Home Solutions ("Pivotal"). Pivotal is headquartered in Naperville, Illinois, and is a provider of home warranty protection products and services, operating in 18 states with approximately 1.2 million customer contracts. Pivotal is complementary to the Company's Homeowner Services Group product offerings and enhances its presence in the home warranty solutions markets through utility partnerships. The results of Pivotal are being consolidated into the Homeowner Services Group operating segment.

The total purchase price of the acquisition was $363 million, net of cash received. This amount included an estimated $8 million in working capital, which is subject to adjustment based on a post-closing working capital determination. The transaction was funded by borrowings through the Company's commercial paper program and the issuance of common stock, as described below.

This acquisition is being accounted for as a business combination which requires, among other things, the assets acquired and the liabilities assumed to be recognized at their fair values at the acquisition date. The purchase price allocation is based upon preliminary information and is subject to change upon the completion of formal valuations and other reviews and assessments which will occur no later than one year after the acquisition date.

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The following table provides the preliminary purchase price allocation for the Pivotal acquisition as of June 4, 2018:

	June 4, 2018
Identifiable assets:	
Accounts receivable	$ 23
Other current assets	1
Property, plant and equipment	21
Intangible assets	96
Total identifiable assets	141
Liabilities assumed:	
Accounts payable and accrued liabilities	(5)
Other current liabilities	(3)
Non-current portion of warranty reserve	(11)
Other long-term liabilities	(1)
Total liabilities assumed	(20)
Net identifiable assets acquired	121
Goodwill	242
Net assets acquired	$ 363

Preliminary intangible assets, mainly composed of customer relationships, are amortized over their expected benefit periods of up to 18 years, with a weighted average life of approximately four years. Goodwill was calculated as the excess of the consideration transferred over the net assets recognized, and represents the expected revenue and cost synergies of the combined business and assembled workforce of Pivotal. The goodwill is included in the Company's Homeowner Services Group reporting unit, within the Market-Based Businesses, and is deductible for income tax purposes.

Pivotal's revenue and net loss included in the Company's Consolidated Statements of Operations for the three and six months ended June 30, 2018, did not have material impact to the overall consolidated financial operations of the Company.

Equity Forward Transaction and Common Stock Issuance

On April 11, 2018, the Company effected an equity forward transaction by entering into a forward sale agreement with each of two forward purchasers in connection with a public offering of 2,320,000 shares of the Company's common stock. In the equity forward transaction, the forward purchasers, or an affiliate, borrowed an aggregate of 2,320,000 shares of the Company's common stock from third parties and sold them to the underwriters in the public offering. On June 7, 2018, the Company elected to fully and physically settle both forward sale agreements, resulting in the issuance of a total of 2,320,000 shares of its common stock at a price of $79.01 per share, for aggregate net proceeds of $183 million. The net proceeds of the transaction were used to finance a portion of the purchase price of the Pivotal acquisition described above.

Highlighted Pending Acquisitions

On April 13, 2018, the Company's Illinois subsidiary entered into an agreement to acquire the City of Alton, Illinois' regional wastewater system for approximately $54 million. This system currently serves approximately 23,000 customer equivalents, comprised of approximately 11,000 direct connections in Alton and service to an additional 12,000

customers under bulk contracts in the nearby communities of Bethalto and Godfrey. The Company is expecting to close this acquisition by the end of the first quarter of 2019, pending regulatory approval.

On May 30, 2018, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of Exeter Township, Pennsylvania for approximately $96 million. This system currently serves nearly 9,000 customers and the Company is expecting to close this acquisition by the end of the first quarter of 2019, pending regulatory approval.

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Note 5: Regulatory Liabilities

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. During the first half of 2018, the Company's fourteen regulatory jurisdictions began to consider the impacts of the TCJA. As of June 30, 2018, the Company has adjusted rates to reflect the lower income tax rate in four states and in one state, the tax savings is being used for additional capital investment; the other jurisdictions remain pending. With respect to excess accumulated deferred income taxes, regulators that have addressed the matter have agreed with the Company's overall timeline of passing the excess back to customers beginning no earlier than 2019, when the Company is able to produce the amortization schedule using the average rate assumption method.

The Company generally expects its regulated customers to benefit from the tax savings resulting from the TCJA. As a result, the Company has recorded a $54 million reserve on revenue during the six months ended June 30, 2018, for the estimated tax savings resulting from the TCJA, with a corresponding regulatory liability, of which the current portion is $17 million (recorded in other current liabilities), and the long-term portion is $37 million (recorded in regulatory liabilities). We cannot predict how each jurisdiction may calculate the amount of credits due to customers. If any of the Company's regulatory jurisdictions determines the credits due to customers are higher than the expected reduction to income tax expense, this would result in an adverse impact to results of operations and cash flows.

Note 6: Stockholders' Equity

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component, net of tax, for the six months ended June 30, 2018 and 2017, respectively:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial (Gain) Loss	Foreign Currency Translation	Gain on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Beginning balance as of December 31, 2017	$ (140)	$ 1	$ 49	$ 1	$ 10	$ (79)
Other comprehensive income before reclassifications	—	—	—	—	6	6
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	—	4
Net other comprehensive income (loss)	—	—	4	—	6	10
Ending balance as of June 30, 2018	$ (140)	$ 1	$ 53	$ 1	$ 16	$ (69)
Beginning balance as of December 31, 2016	$ (147)	$ 1	$ 42	$ 2	$ 16	$ (86)
Other comprehensive loss before reclassifications	—	—	—	(1)	(2)	(3)
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	—	4

Net other comprehensive income (loss)	—	—	4	(1)	(2)	1
Ending balance as of June 30, 2017	$ (147)	$ 1	$ 46	$ 1	$ 14	$ (85)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been capitalized as a regulatory asset. These accumulated other comprehensive income loss components are included in the computation of net periodic pension cost. See Note 10—Pension and Other Post-Retirement Benefits for further discussion.

The amortization of the gain on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Anti-dilutive Stock Repurchase Program

During the six months ended June 30, 2018, the Company repurchased 0.6 million shares of common stock in the open market at an aggregate cost of $45 million under the anti-dilutive stock repurchase program authorized by the Company's Board of Directors in 2015. As of June 30, 2018, there were 5.5 million shares of common stock available for repurchase under the program.

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Equity Forward Transaction

See Note 4—Acquisitions for discussion relating to the forward sale agreements entered into by the Company on April 11, 2018, and the subsequent settlement of these agreements on June 7, 2018.

Note 7: Long-Term Debt

The following long-term debt was issued during the six months ended June 30, 2018:

Company	Type	Rate	Maturity	Amount
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate (a)	0.00%-5.00%	2021-2048	$ 15
Total issuances				$ 15

(a) Approximately $14 million of this debt relates to the New Jersey Environmental Infrastructure Financing Program.

The following long-term debt was retired through sinking fund provisions, optional redemptions or payment at maturity during the six months ended June 30, 2018:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Senior Notes—fixed rate	6.25%	2018	$ 110
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.40%	2018-2041	4
Other American Water subsidiaries	Mortgage bonds—fixed rate	9.13%	2021	1
Other American Water subsidiaries	Term Loan	4.83%-5.69%	2021	2
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	2036	1
Total retirements and redemptions				$ 119

The Company has four forward starting swap agreements, of which two were entered into on May 22, 2018, each with a notional amount of $100 million, to reduce interest rate exposure on debt expected to be issued in 2018. These forward starting swap agreements terminate in November 2018, and have an average fixed rate of 2.87%. The Company has designated these forward starting swap agreements as cash flow hedges with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

The Company has employed interest rate swaps to fix the interest cost on a portion of its variable-rate debt with an aggregate notional amount of $5 million. The Company has designated these interest rate swaps as economic hedges accounted for at fair value with gains or losses deferred as a regulatory asset or regulatory liability. The net gain recognized by the Company for the three and six months ended June 30, 2018 and 2017 was de minimis.

No ineffectiveness was recognized on hedging instruments for the three and six months ended June 30, 2018 and 2017.

The following table provides a summary of the gross fair value for the Company's derivative asset and liabilities, as well as the location of the asset and liability balances on the Consolidated Balance Sheets:

Derivative Instruments	Derivative Designation	Balance Sheet Classification	June 30, 2018	December 31, 2017
Asset derivative:				
Forward starting swaps	Cash flow hedge	Other current assets	$ 9	$ —
Liability derivative:				
Forward starting swaps	Cash flow hedge	Other current liabilities	$ 3	$ 3

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Note 8: Short-Term Debt

On March 21, 2018, American Water Capital Corp. ("AWCC") and its lenders amended and restated the credit agreement with respect to AWCC's revolving credit facility to increase the maximum commitments under the facility to $2.25 billion from $1.75 billion and to extend the expiration date of the facility to March 2023 from June 2020. The facility is used principally to support AWCC's commercial paper program and to provide a sub-limit of up to $150 million for letters of credit. As of June 30, 2018, no amounts were borrowed by AWCC under the credit agreement, except with respect to the letters of credit issued under the $150 million letter of credit sub-limit. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods. The financial covenants with respect to the facility remained unchanged from the credit agreement in effect on December 31, 2017.

On March 21, 2018, AWCC increased the maximum aggregate principal amount of borrowings authorized under its commercial paper program from $1.60 billion to $2.10 billion. As of June 30, 2018, AWCC had $1.65 billion in commercial paper outstanding. The weighted-average interest rate on AWCC short-term borrowings for three months ended June 30, 2018 and 2017 was approximately 2.34% and 1.24%, respectively. The weighted-average interest rate on AWCC short-term borrowings for the six months ended June 30, 2018 and 2017 was approximately 2.15% and 1.14%, respectively.

Note 9: Income Taxes

The Company's effective income tax rate was 27.0% and 41.8% for the three months ended June 30, 2018 and 2017, respectively, and 26.0% and 39.5% for the six months ended June 30, 2018 and 2017, respectively. The decrease in the Company's effective income tax rate primarily resulted from the reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, from the enactment of the TCJA. There were no significant adjustments recorded during the six months ended June 30, 2018 pursuant to Staff Accounting Bulletin 118.

Note 10: Pension and Other Post-Retirement Benefits

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Components of net periodic pension benefit cost:				
Service cost	$ 8	$ 8	$ 17	$ 17
Interest cost	19	20	38	40
Expected return on plan assets	(24)	(23)	(49)	(47)
Amortization of actuarial loss	7	9	14	18
Net periodic pension benefit cost	$ 10	$ 14	$ 20	$ 28
Components of net periodic other post-retirement benefit (credit) cost:				
Service cost	$ 2	$ 2	$ 5	$ 5
Interest cost	5	6	11	13
Expected return on plan assets	(6)	(6)	(13)	(13)

Amortization of prior service credit	(4)	(4)	(9)	(9)
Amortization of actuarial loss	1	2	2	5
Net periodic other post-retirement benefit (credit) cost	$ (2)	$ —	$ (4)	$ 1

The Company made less than $1 million of contributions for the funding of its defined benefit pension plans for the three and six months ended June 30, 2018, and made contributions of $10 million and $20 million for the three and six months ended June 30, 2017, respectively. In addition, the Company made no contributions for the funding of its other post-retirement plans for the three and six months ended June 30, 2018, and made contributions of $2 million and $3 million for the three and six months ended June 30, 2017, respectively. The Company expects to make pension and post-retirement contributions to the plan trusts of up to $30 million during the remainder of 2018.

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Note 11: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of June 30, 2018, the Company has accrued approximately $136 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $25 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

Global Class Action Litigation Settlement

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all putative class members (collectively, the "Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement is July 16, 2018.

Under the terms and conditions of the Settlement, West Virginia-American Water Company ("WVAWC") and certain other Company affiliated entities (collectively, the "American Water Defendants") have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions that were resolved. Under federal class action rules, claimants had the right, until December 8, 2017, to elect to opt out of the final Settlement. Less than 100 of the 225,000 estimated putative class members opted out from the Settlement, and these claimants will not receive any benefit from or be bound by the terms of the Settlement.

On June 1, 2018, the Company and its remaining non-participating general liability insurance carrier settled for a payment to the Company of $20 million, out of a maximum of $25 million in potential coverage under the terms of the relevant policy, in exchange for a full release by the American Water Defendants of all claims against the insurance carrier related to the Freedom Industries chemical spill.

As a result, the aggregate pre-tax amount to be contributed by WVAWC of the $126 million Settlement with respect to the Company, net of insurance recoveries, is $23 million. As of June 30, 2018, the settlement amount of $126 million, less advance payments made by the Company under the terms of the Settlement, is reflected in Accrued Liabilities, and the offsetting insurance receivables are reflected in Other Current Assets on the Consolidated Balance Sheet. On July 17, 2018, the Company funded WVAWC's contributions to the guaranteed fund portion of the Settlement through existing sources of liquidity.

Other Related Proceedings

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the "public nuisance" it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a civil complaint in Lincoln County circuit court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public nuisance in Lincoln County. The complaint seeks an injunction against WVAWC that would require the creation of various databases and public repositories of documents related to the Freedom Industries chemical spill, as well as further study and risk assessments regarding the alleged exposure of Lincoln County residents to the released chemicals. On June 12, 2017, the West Virginia Mass

Litigation Panel entered an order granting a motion to transfer this case to its jurisdiction and stayed the case consistent with the existing stay order. The LCC has elected to opt out of the Settlement. On January 26, 2018, the LCC filed a motion seeking to lift the stay imposed by the Mass Litigation Panel. On March 5, 2018, this motion was denied. WVAWC believes that this lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

California Public Utilities Commission Residential Rate Design Proceeding

On July 12, 2018, the California Public Utilities Commission (the "CPUC") adopted the April 9, 2018 presiding officer's decision that resolved the CPUC's residential tariff administration proceeding. The adoption provides for a waiver by California-American Water Company, a wholly owned subsidiary of the Company, of $0.5 million of cost recovery for residential customers through the water revenue adjustment mechanism/modified cost balancing account, in lieu of a penalty.

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Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of WVAWC's West Relay pumping station located in the City of Dunbar. The failure of the main caused water outages and low pressure to up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a class action complaint was filed in West Virginia Circuit Court in Kanawha County against WVAWC on behalf of a purported class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

On October 12, 2017, WVAWC filed with the court a motion seeking to dismiss all of the plaintiffs' counts alleging statutory and common law tort claims. Furthermore, WVAWC asserted that the PSC, and not the court, has primary jurisdiction over allegations involving violations of the applicable tariff, the public utility code and related rules. On May 30, 2018, the court, at a hearing, denied WVAWC's motion to apply the primary jurisdiction doctrine. The court will issue a written order on the motion to dismiss, and has set a trial date of August 26, 2019.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible losses or a range of such losses related to this proceeding.

Note 12: Earnings per Common Share

The following table is a reconciliation of the numerator and denominator for basic and diluted earnings per share ("EPS") calculations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Numerator:				
Net income attributable to common stockholders	$ 162	$ 131	$ 268	$ 224
Denominator:				
Weighted-average common shares outstanding—Basic	179	178	179	178
Effect of dilutive common stock equivalents	—	1	—	1
	179	179	179	179

Weighted-average common shares outstanding—Diluted				

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units and performance stock units granted under the 2007 and the 2017 Omnibus Equity Compensation Plans, as well as shares purchased under the Company's nonqualified employee stock purchase plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and six months ended June 30, 2018 and 2017 because their effect would have been anti-dilutive under the treasury stock method.

Equity Forward Transaction and Common Stock Issuance

See Note 4—Acquisitions for discussion regarding the forward sale agreements entered into by the Company on April 11, 2018, and the physical settlement of these agreements on June 7, 2018.

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Note 13: Fair Value of Financial Assets and Liabilities

Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

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

The following table presents the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and the fair values of the financial instruments:

	Carrying Amount	At Fair Value as of June 30, 2018			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 9	$ —	$ —	$ 11	$ 11
Long-term debt (excluding capital lease obligations)	6,706	4,529	839	1,739	7,107

	Carrying Amount	At Fair Value as of December 31, 2017			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 10	$ —	$ —	$ 14	$ 14
Long-term debt (excluding capital lease obligations)	6,809	4,846	976	1,821	7,643

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy as of June 30, 2018 and December 31, 2017 respectively:

	At Fair Value as of June 30, 2018

	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 29	$ —	$ —	$ 29
Rabbi trust investments	15	—	—	15
Deposits	3	—	—	3
Mark-to-market derivative assets	—	9	—	9
Other investments	3	—	—	3
Total assets	50	9	—	59
Liabilities:				
Deferred compensation obligations	17	—	—	17
Mark-to-market derivative liabilities	—	3		3
Total liabilities	17	3	—	20
Total net assets (liabilities)	$ 33	$ 6	$ —	$ 39

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	At Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 28	$ —	$ —	$ 28
Rabbi trust investments	15	—	—	15
Deposits	4	—	—	4
Other investments	3	—	—	3
Total assets	50	—	—	50
Liabilities:				
Deferred compensation obligations	17	—	—	17
Mark-to-market derivative liabilities	—	3	—	3
Total liabilities	17	3	—	20
Total net assets (liabilities)	$ 33	$ (3)	$ —	$ 30

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations, maintenance and repair projects. Long-term restricted funds of $2 million and $1 million were included in other long-term assets as of June 30, 2018 and December 31, 2017, respectively.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

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

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

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

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets.

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Note 14: Segment Information

The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates businesses that provide a broad range of related and complementary water and wastewater services in non-regulated markets, which includes four operating segments that individually do not meet the criteria of a reportable segment. These four non-reportable operating segments are collectively presented as the "Market-Based Businesses." "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The following tables include the Company's summarized segment information:

	As of or for the Three Months Ended June 30, 2018			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 744	$ 114	$ (5)	$ 853
Depreciation and amortization	123	7	4	134
Total operating expenses, net	453	98	—	551
Interest, net	(69)	2	(19)	(86)
Income before income taxes	226	18	(22)	222
Provision for income taxes	59	5	(4)	60
Net income attributable to common stockholders	167	13	(18)	162
Total assets	18,197	818	1,456	20,471
Capital expenditures	347	1	27	375

	As of or for the Three Months Ended June 30, 2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 746	$ 103	$ (5)	$ 844
Depreciation and amortization	119	4	3	126
Total operating expenses, net	450	89	(5)	534
Interest, net	(67)	1	(19)	(85)
Income before income taxes	230	15	(19)	226
Provision for income taxes	90	7	(2)	95
Net income attributable to common stockholders	140	9	(18)	131
Total assets	16,982	570	1,414	18,966
Capital expenditures	289	3	40	332

	As of or for the Six Months Ended June 30, 2018			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 1,410	$ 214	$ (10)	$ 1,614
Depreciation and amortization	245	11	7	263
Total operating expenses, net	915	184	(4)	1,095
Interest, net	(138)	3	(35)	(170)
Income before income taxes	368	34	(40)	362
Provision for income taxes	97	9	(12)	94
Net income attributable to common stockholders	271	25	(28)	268

Total assets	18,197	818	1,456	20,471
Capital expenditures	677	7	55	739

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	As of or for the Six Months Ended June 30, 2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 1,405	$ 206	$ (11)	$ 1,600
Depreciation and amortization	236	8	6	250
Total operating expenses, net	886	183	(9)	1,060
Interest, net	(133)	1	(38)	(170)
Income before income taxes	384	25	(38)	371
Provision for income taxes	150	10	(13)	147
Net income attributable to common stockholders	234	15	(25)	224
Total assets	16,982	570	1,414	18,966
Capital expenditures	542	4	56	602

Note 15: Subsequent Events

On July 5, 2018, the Company entered into an agreement for the sale of the majority of its Contract Operations Group to subsidiaries of Veolia Environnement S.A. for $27 million. The sale agreement includes the transfer of 23 of the Contract Operations Group's 33 O&M contracts. The Company closed on the sale of 17 of the 23 contracts on July 13, 2018, and expects to close on the remaining contracts, subject to customer consents, by the end of 2018.

On July 31, 2018, a new, five-year national benefits health and welfare agreement was ratified, covering approximately 3,200 of the Company's union-represented employees, which includes 17 labor unions and 69 collective bargaining agreements. Most of the benefits under this new agreement will become effective on January 1, 2019, and include, among other things, union-represented employees' participation in the Company's cash-based annual performance plan, additional medical plan options and changes to certain retiree medical benefits which will require the Company to re-measure its other postretirement benefit plan obligation during the third quarter of 2018.

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

The following discussion should be read together with the unaudited Consolidated Financial Statements and Notes thereto included elsewhere in this Form 10-Q. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those we discuss under "Forward-Looking Statements," and elsewhere in this Form 10-Q.

Overview

Through its subsidiaries, American Water Works Company, Inc. is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenue and population served. Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as our "Regulated Businesses." Our utilities are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs" or "Regulators"). We also operate several market-based businesses, not subject to economic regulation by PUCs, that provide a broad range of related and complementary water and wastewater services to military bases, municipalities, shale natural gas exploration and production companies, as well as residential, commercial and industrial customers. Individually, these four operating segments do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented as our "Market-Based Businesses." See Part I, Item 1—Business in our Form 10-K for further discussion.

You should read the following discussion in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Form 10-Q (unaudited) and in our Form 10-K. Throughout this Form 10-Q, unless the context otherwise requires, references to "we", "us", "our", the "Company", and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries.

Quarter Highlights

The following key events and transactions highlighted our second quarter of 2018:

- The Company completed the acquisition of Pivotal Home Solutions ("Pivotal"), a leading provider of home warranty protection products and services, for $363 million. This transaction was financed with approximately 50% debt and 50% equity, and included the Company's election to physically settle the equity forward sale agreements entered into on April 11, 2018, resulting in the issuance of 2,320,000 shares of our common stock, in exchange for aggregate net proceeds of $183 million. See Note 4—Acquisitions in the Notes to the Consolidated Financial Statements for further discussion.

- Effective July 16, 2018, the court issued its final approval of the global settlement related to the Freedom Industries chemical spill in West Virginia. Also, on June 1, 2018, the Company settled with its remaining general liability insurance carrier relating to this matter, resulting in a $20 million benefit for the Company. With these issues resolved, our West Virginia subsidiary's contribution to the $126 million settlement is $23 million, net of insurance recoveries. See Note 11—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

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Our Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of Exeter Township, Pennsylvania, a system that serves nearly 9,000 customers, for approximately $96 million.

Subsequent to June 30, 2018, the following key events occurred:

- On July 5, 2018, the Company entered into an agreement for the sale of the majority of our Contract Operations Group to subsidiaries of Veolia Environnement S.A. for $27 million. The sale agreement includes the transfer of 23 of our Contract Operations Group's 33 O&M contracts and is expected to fully close by the end of 2018.

- Every five years, we negotiate national health and welfare benefits with our union-represented employees. On July 31, 2018, a new, five-year national benefits agreement was ratified, covering approximately 3,200 of our union-represented employees, which includes 17 labor unions and 69 collective bargaining agreements. Some highlights of the new agreement include union-represented employees' participation in the Company's cash-based annual performance plan, changes to certain retiree medical benefits and additional medical plan options for our employees and their families.

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Financial Results

The following table provides highlights of our diluted earnings per share and our adjusted diluted earnings per share (a non-GAAP measure) for the three and six months ended June 30, 2018:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Diluted earnings per share (GAAP):				
Net income attributable to common stockholders	$ 0.91	$ 0.73	$ 1.50	$ 1.26
Non-GAAP adjustment:				
Impact of Freedom Industries settlement activities	(0.11)	—	(0.11)	—
Income tax impact	0.03	—	0.03	—
Total net non-GAAP adjustment	(0.08)	—	(0.08)	—
Adjusted diluted earnings per share (non-GAAP)	$ 0.83	$ 0.73	$ 1.42	$ 1.26

For the three and six months ended June 30, 2018, net income attributable to common stockholders was $0.91 and $1.50 per diluted share, respectively, an increase of $0.18 per diluted share, or 24.7%, and $0.24 per diluted share, or 19.0%, respectively, as compared to the same period in 2017. Included in the 2018 amount was an after-tax benefit of $15 million, or $0.08 per diluted share, resulting from an insurance settlement with one of our general liability insurance carriers related to the Freedom Industries matter in West Virginia.

Adjusted diluted earnings per share (a non-GAAP measure) was $0.83 for the three months ended June 30, 2018, an increase of $0.10 per diluted share, or 13.7%, as compared to the same period in 2017. This increase was primarily due to continued growth in our Regulated Businesses, largely driven by infrastructure investment, acquisitions and organic growth, combined with growth in our Market-Based Businesses, mainly from our Homeowner Services Group.

Adjusted diluted earnings per share (a non-GAAP measure) was $1.42 for the six months ended June 30, 2018, an increase of $0.16 per diluted share, or 12.7%, as compared to the same period in 2017. This increase was primarily due to continued growth in our Regulated Businesses, largely driven by infrastructure investment, acquisitions and organic growth, combined with growth in our Market-Based Businesses, mainly from our Homeowner Services Group, partially offset by the lower tax shield on interest expense at the parent company.

Adjusted diluted earnings per share represents a non-GAAP financial measure and is calculated as GAAP diluted earnings per share, excluding the favorable impact from the insurance settlement related to the Freedom Industries chemical spill in the second quarter of 2018. We believe that this non-GAAP measure provides investors with useful information by excluding certain matters that may not be indicative of our ongoing operating results, and that providing this non-GAAP measure will allow investors to understand better our businesses' operating performance and facilitate a meaningful year-to-year comparison of our results of operations. Although management uses this non-GAAP financial measure internally to evaluate our results of operations, we do not intend results excluding the adjustments to represent results as defined by GAAP, and the reader should not consider them as indicators of performance. This non-GAAP financial measure is derived from our consolidated financial information but is not presented in our financial statements prepared in accordance with GAAP, and thus it should be considered in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP. In addition, this non-GAAP financial measure as defined

and used above may not be comparable to similarly titled non-GAAP measures used by other companies, and, accordingly, it may have significant limitations on its use.

Focusing on Central Themes

In 2018, our strategy, which is driven by our vision and core values, will continue to be anchored on our five central themes: (i) safety; (ii) customers; (iii) people; (iv) growth; and (v) technology and operational efficiency. We continue to focus on operating our business responsibly and managing our operating and capital costs in a manner that benefits our customers and produces long-term value for our stockholders. Additionally, we continue to execute on our ongoing strategy that ensures a safe workplace for our employees, emphasizes public safety for our customers and communities, and leverages our human resources, processes and technology innovation to make our business more effective and efficient. The progress that we have made during the first six months of 2018 with respect to growth and improvement in our operational efficiency is described below.

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Growth—Infrastructure improvements, acquisitions and strategic capital investments

During the first six months of 2018, we made capital and other investments of approximately $1.1 billion, focused in three key areas:

- $713 million, of which the majority was in our Regulated Businesses for infrastructure improvements;
- $363 million to fund the acquisition of Pivotal, as discussed in further detail below; and
- $14 million to fund acquisitions in our Regulated Businesses, which added approximately 5,600 water and wastewater customers.

For the full year of 2018, our capital investment is expected to be in the range of $2.0 billion to $2.1 billion, including the acquisition of Pivotal which closed during the second quarter of 2018.

On July 5, 2018, we entered into an agreement for the sale of the majority of our Contract Operations Group to subsidiaries of Veolia Environnement S.A. for $27 million. The sale agreement includes the transfer of 23 of our Contract Operations Group's 33 O&M contracts. We closed on the sale of 17 of the 23 contracts on July 13, 2018, and expect to close on the remaining contracts, subject to customer consents, by the end of 2018.

On June 4, 2018, American Water Enterprises, LLC, a wholly owned subsidiary of the Company, completed the acquisition of Pivotal for $363 million, including an estimated $8 million in closing working capital. Headquartered in Naperville, Illinois, Pivotal operates in 18 states with approximately 1.2 million customer contracts, and is a leading provider of home warranty protection products and services for gas, electric and other service lines inside and around a home, heating and cooling systems, and home appliances. Pivotal joins our Homeowner Services Group which provides similar home warranty protection products and services, primarily for external water and sewer lines. This transaction was financed with approximately 50% debt and 50% equity, and included the Company's election to physically settle the equity forward sale agreements entered into on April 11, 2018. See Note 4—Acquisitions in the Notes to the Consolidated Financial Statements for further discussion.

On May 30, 2018, our Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of Exeter Township, Pennsylvania, for approximately $96 million. This system currently serves approximately 9,000 customers and we are expecting to close this acquisition by the end of the first quarter of 2019, pending regulatory approval.

On April 13, 2018, our Illinois subsidiary entered into an agreement to acquire the City of Alton, Illinois' regional wastewater system for approximately $54 million. This system currently serves approximately 23,000 customer equivalents, comprised of approximately 11,000 customer connections in Alton and an additional 12,000 customers under bulk contracts in the nearby communities of Bethalto and Godfrey. We are expecting to close this acquisition by the end of the first quarter of 2019, pending regulatory approval.

Technology & Operational Efficiency—Continued improvement in our Regulated Businesses' adjusted O&M efficiency ratio

Our adjusted O&M efficiency ratio, which we use as a measure of our operating performance, was 35.3% for the twelve months ended June 30, 2018, as compared to 36.3% for the twelve months ended June 30, 2017, with all periods prior to January 1, 2018, presented on a pro forma basis to include the estimated impact of the TCJA on operating revenues. The improvement in this ratio was primarily attributable to an increase in operating revenue in our Regulated Businesses.

Our adjusted O&M efficiency ratio is defined as the operation and maintenance expenses from our Regulated Businesses, divided by the pro forma operating revenues from our Regulated Businesses, where both operation and maintenance expenses and pro forma operating revenues were adjusted to eliminate purchased water expense. Additionally, from operation and maintenance expenses, we excluded the allocable portion of non-operation and maintenance support services cost, mainly depreciation and general taxes, that are reflected in our Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, are categorized within other line items in the accompanying Consolidated Statements of Operations.

In addition to the adjustments discussed above, for period-to-period comparability purposes, we have presented the estimated impact of the TCJA on operating revenues for our Regulated Businesses on a pro forma basis for all periods presented prior to January 1, 2018, as if the lower federal corporate income tax rate was in effect for these periods (see Note 5—Regulatory Liabilities in the Notes to the Consolidated Financial Statements for further discussion). We also excluded from operation and maintenance expenses the impact of certain Freedom Industries chemical spill settlement activities recognized in 2016, 2017 and 2018. We excluded the items discussed above from the calculation as we believe such items are not reflective of management's ability to increase the efficiency of our Regulated Businesses.

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We evaluate our operating performance using this ratio because we believe it directly measures improvement in the efficiency of our Regulated Businesses. This information is intended to enhance an investor's overall understanding of our operating performance. Our adjusted O&M efficiency ratio is not an accounting measure that is based on GAAP, may not be comparable to other companies' operating measures and should not be used in place of the GAAP information provided elsewhere in this report.

The following table provides the calculation of our adjusted O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of our adjusted O&M efficiency ratio:

	For the Twelve Months Ended June 30,	
(In millions)	**2018**	**2017**
Total operation and maintenance expenses (a)	$ 1,383	$ 1,487
Less:		
Operation and maintenance expenses—Market-Based Businesses	334	351
Operation and maintenance expenses—Other (a)	(40)	(37)
Total operation and maintenance expenses—Regulated Businesses (a)	1,089	1,173
Less:		
Regulated purchased water expenses	133	123
Allocation of non-operation and maintenance expenses	29	27
Impact of Freedom Industries settlement activities (b)	(42)	65
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 969	$ 958
Total operating revenues	$ 3,371	$ 3,332
Less:		
Pro forma adjustment for impact of the TCJA (c)	87	164
Total pro forma operating revenues	3,284	3,168
Less:		
Operating revenues—Market-Based Businesses	430	428
Operating revenues—Other	(22)	(22)
Total pro forma operating revenues—Regulated Businesses	2,876	2,762
Less:		
Regulated purchased water revenues (d)	133	123
Adjusted pro forma operating revenues—Regulated Businesses (ii)	$ 2,743	$ 2,639
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	35.3%	36.3%

NOTE The adjusted O&M efficiency ratio previously reported for the twelve months ended June 30, 2017 was 34.5%, which did not include the adjustments for the items discussed in footnotes (a) and (c) below.

(a) Includes the impact of the Company's adoption of ASU 2017-07 on January 1, 2018. See Note 2—Significant Accounting Policies in the Notes to the Consolidated Financial Statements for further discussion.

(b) Includes the impact of the binding global agreement in principle to settle claims in 2016, and settlements with two of our general liability insurance carriers in 2017 and 2018.

(c)

Includes the estimated impact of the TCJA on operating revenues for our Regulated Businesses for all periods presented prior to January 1, 2018, as if the lower federal corporate income tax rate was in effect for these periods. See Note 5—Regulatory Liabilities in the Notes to the Consolidated Financial Statements for further discussion.

(d) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

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Regulatory Matters

The following table provides annualized incremental revenues resulting from rate authorizations that became effective during the three and six months ended June 30, 2018, for general rate cases and infrastructure surcharges, assuming a constant water sales volume:

(In millions)	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
General rate cases by state:		
Missouri (effective May 28, 2018)	$ 33	$ 33
Pennsylvania (effective January 1, 2018)	—	62
Total general rate cases	$ 33	$ 95
Infrastructure surcharges by state:		
Tennessee (effective April 10, 2018)	$ 1	$ 1
Indiana (effective March 14, 2018)	—	7
Virginia (effective March 1, 2018)	—	1
Illinois (effective January 1, 2018)	—	3
West Virginia (effective January 1, 2018)	—	3
Total infrastructure surcharges	$ 1	$ 15

On March 22, 2018, our California subsidiary received a decision on its cost of capital filing, authorizing for 2018 through 2020, a 9.20% return on equity, a 5.63% cost of debt and a capital structure of 44.61% debt and 55.39% equity. The decision also approved continuation of the annual adjustment mechanism which could potentially adjust the authorized cost of capital in 2019 or 2020.

Pending General Rate Case and Infrastructure Surcharge Filings

On June 29, 2018, our West Virginia subsidiary filed for infrastructure surcharges requesting $2 million in additional annualized revenues.

On June 28, 2018, our Maryland subsidiary filed a general rate case requesting $2 million in additional annualized water revenues.

Our New Jersey subsidiary filed a general rate case requesting $117 million in additional annualized water and wastewater revenues, adjusted to reflect the reduction in the federal corporate income tax rate resulting from the TCJA. On May 11, 2018, our New Jersey subsidiary filed to implement approximately $75 million in provisional rates for water and wastewater service while the New Jersey Board of Public Utilities reviews the aforementioned general rate case. The provisional rates went into effect on June 15, 2018, and will remain in effect, subject to refund, until final decision on the general rate case is received, which is expected in the first quarter of 2019.

On April 30, 2018, our West Virginia subsidiary filed a general rate case requesting $29 million in additional annualized water and wastewater revenues, excluding previously authorized infrastructure surcharge revenues.

Our California subsidiary filed a general rate case requesting $19 million in additional annualized revenues for 2018 and an increase of $9 million and $8 million in the escalation year of 2019 and the attrition year of 2020, respectively, adjusted to reflect the reduction in the federal corporate income tax rate resulting from the TCJA, and the impact of the recently approved cost of capital decision, as discussed above.

There is no assurance that all or any portion of these requests will be granted.

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Tax Matters

Tax Cuts and Jobs Act

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, and certain other provisions related specifically to the public utility industry, including continuation of interest expense deductibility, the exclusion from utilizing bonus depreciation and the normalization of deferred income tax. The enactment of the TCJA required a re-measurement of our deferred income taxes that materially impacted our 2017 results of operations and financial position. The portion of this re-measurement related to our Regulated Businesses was substantially offset by a regulatory liability, as we believe it is probable that the deferred income tax excesses created by the TCJA will benefit our regulated customers in future rates. The remaining portion of this re-measurement of the net deferred income tax liability was recorded as a non-cash charge to earnings during the fourth quarter of 2017.

During the first half of 2018, our fourteen regulatory jurisdictions began to consider the impacts of the TCJA. As of June 30, 2018, the Company has adjusted rates to reflect the lower income tax rate in four states and in one state, the tax savings is being used for additional capital investment; the other jurisdictions remain pending. We continue to work with each jurisdiction to determine the best approach to pass the benefits from the lower income tax rate to our regulated customers, ideally through established ratemaking, tax and regulatory normalization provisions. For the normalization of excess deferred income taxes, we have proposed tracking mechanisms until the Company is able to obtain more clarity regarding: (i) the technical aspects of the methods available to compute the appropriate amount of excess deferred income tax to normalize, and (ii) the period over which the benefits will be refunded to customers, both of which are expected in 2019. To date, jurisdictions that have addressed the matter have agreed with the Company's overall timeline of passing the excess deferred income taxes back to customers beginning in 2019, when we are able to produce the amortization schedule using the average rate assumption method.

On March 23, 2018, President Trump signed the Consolidated Appropriations Act of 2018 (the "Bill"). The Bill corrects and clarifies some aspects of the TCJA related to bonus depreciation eligibility. Specifically, property that was acquired, or the construction began prior to September 27, 2017, will be eligible for bonus depreciation. This clarification will allow the Company to benefit from additional bonus depreciation deductions resulting in a slight delay of when the Company expects to become a cash taxpayer for federal income tax purposes. We believe that we will likely begin paying federal income taxes towards the beginning of 2020, when we expect our federal NOL carryforwards will be fully utilized, and expect to be a full cash taxpayer by 2021, although this timing could be impacted by any significant changes in our future results of operations and the outcome of regulatory proceedings regarding the TCJA.

Other Tax Matters

On June 1, 2018, the State of Missouri enacted legislation that decreased the state income tax rate on our taxable income attributable to Missouri from 6.25% to 4.00%, beginning in the 2020 tax year. As a result, we were required to re-measure our cumulative deferred income tax balances using the lower state income tax rate in the second quarter of 2018. This resulted in a decrease to the Company's unitary deferred income tax liability of $12 million, and an increase to a regulatory liability of $13 million, as we believe it is probable of refund in future rates.

On May 30, 2018, the State of Iowa enacted legislation that decreased the state income tax rate on our taxable income attributable to Iowa from 12.0% to 9.8%, beginning in the 2021 tax year. The deferred income tax liability for our Iowa subsidiary was reduced by $1 million, and offset by a regulatory liability, as we believe it is probable of refund in future rates.

On April 13, 2018, the State of Kentucky enacted legislation that decreased the state income tax rate on our taxable income attributable to Kentucky from 6% to 5%, beginning in the 2018 tax year. In addition, beginning in the 2019 tax year, a consolidated return, including all affiliated group members, will be required. As a result, we were required to record a deferred income tax liability of $7 million for our Kentucky unitary filing group, and the existing deferred income tax liability related to our Kentucky subsidiary was reduced by $1 million, offset by a regulatory liability, as we believe it is probable of refund in future rates.

The Company performed its annual review of the apportionment rates in all of its unitary filing jurisdictions and implemented changes to reflect considerations for historical results and future business outlooks in each of the jurisdictions. As of June 30, 2018, we recorded a non-cash, cumulative charge to earnings of $3 million, resulting from the legislative changes described above and the adjustments made through various state income tax apportionment rates.

On July 1, 2018, the State of New Jersey enacted legislation that increased the corporate business tax rate from 9.0% to 11.5% for the 2018 and 2019 tax years, and to 10.5% for the 2020 and 2021 tax years. In addition, beginning in the 2019 tax year, a unitary group will be required to file a combined unitary tax return. The Company is currently assessing these legislature changes and will record any impacts during the third quarter of 2018.

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Legislative Updates

During 2018, our regulatory jurisdictions enacted legislation as follows:

- House File 2307 in Iowa and House Bill 1566 in Maryland allow a fair market value methodology to be included in rate base with respect to prospective acquisitions.

- Senate Enrolled Act 362 in Indiana, which, similar to the Water Quality Accountability Act enacted in New Jersey in 2017, sets new operational standards and requirements for water and wastewater treatment plants in areas such as capital asset management, cost-benefit analysis and cybersecurity.

- Senate Bill 705 in Missouri allows the Missouri Public Service Commission to approve a Revenue Stabilization Mechanism ("RSM") for water utilities. In an effort to encourage conservation, a RSM adjusts rates periodically to ensure that a utility's revenue will be sufficient to cover its costs, and customers will not overpay for service.

- Senate Bill 592 in Missouri changes the public vote requirement for the sale of a municipal water or wastewater system to a simple majority for more than 500 small towns. Historically, only larger communities required a simple majority, while smaller communities needed a two-thirds majority. This legislation increases the options for small towns, should they decide to address their water and sewer challenges through an asset sale.

- Legislation was passed in Iowa that allows private water utilities to use a future test year approach in rate cases, decreasing potential regulatory lag and helping to spread out the time between rate cases.

Condemnation and Eminent Domain

We are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California has submitted enough signatures to add a measure to the November 2018 election ballot asking voters to decide whether the local water management district should conduct a feasibility study concerning the potential purchase of our California subsidiary's Monterey water service, and, if feasible, to proceed with a purchase without an additional public vote. This service territory represents approximately 40,000 customers. A similar ballot measure introduced in 2014 involving this subsidiary's Monterey service district was defeated.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against our Illinois subsidiary in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of $38 million for the pipeline. A jury trial will take place to establish the value of the pipeline, but the date of this trial has not currently been scheduled.

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Consolidated Results of Operations

The following table presents our consolidated results of operations and the ensuing discussions explain the material variances:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(In millions)								
Operating revenues	$ 853	$844	$ 9	1.1 %	$1,614	$1,600	$ 14	0.9 %
Operating expenses:								
Operation and maintenance	348	347	1	0.3 %	695	681	14	2.1 %
Depreciation and amortization	134	126	8	6.3 %	263	250	13	5.2 %
General taxes	69	63	6	9.5 %	139	131	8	6.1 %
Gain on asset dispositions and purchases	—	(2)	2	100.0 %	(2)	(2)	—	— %
Total operating expenses, net	551	534	17	3.2 %	1,095	1,060	35	3.3 %
Operating income	302	310	(8)	(2.6)%	519	540	(21)	(3.9)%
Other income (expenses):								
Interest, net	(86)	(85)	(1)	1.2 %	(170)	(170)	—	— %
Non-operating benefit costs, net	2	(2)	4	(200.0)%	5	(5)	10	(200.0)%
Other, net	4	3	1	33.3 %	8	6	2	33.3 %
Total other income (expenses)	(80)	(84)	4	(4.8)%	(157)	(169)	12	(7.1)%
Income before income taxes	222	226	(4)	(1.8)%	362	371	(9)	(2.4)%
Provision for income taxes	60	95	(35)	(36.8)%	94	147	(53)	(36.1)%
Net income attributable to common stockholders	$ 162	$131	$ 31	23.7 %	$ 268	$ 224	$ 44	19.6 %

Operating Revenues

For the three months ended June 30, 2018, operating revenues increased primarily due to a:

- $36 million increase in our Regulated Businesses from authorized rate increases and increases from water and wastewater acquisitions, organic growth and higher water services demand due to weather; and
- $11 million increase in our Market-Based Businesses from an increase in operations for Keystone as a result of market recovery in the shale natural gas industry, and an increase in our Homeowner Services Group from contract growth and the acquisition of Pivotal on June 4, 2018, offset in part by the expiration of certain contracts in our Contract Operations Group and lower capital upgrades in our Military Services Group; partially offset by a
- $38 million decrease in our Regulated Businesses from the impacts of the TCJA which have or are expected to benefit our customers.

For the six months ended June 30, 2018, operating revenues increased primarily due to a:

- $75 million increase in our Regulated Businesses from authorized rate increases and increases from water and wastewater acquisitions, organic growth, and higher water services demand due to weather; and

- $8 million increase in our Market-Based Businesses from an increase in operations for Keystone as a result of market recovery in the shale natural gas industry, and an increase in our Homeowner Services Group from contract growth and the acquisition of Pivotal on June 4, 2018, offset in part by the expiration of certain contracts in our Contract Operations Group and lower capital upgrades in our Military Services Group; partially offset by a

- $70 million decrease in our Regulated Businesses from the impacts of the TCJA which have or are expected to benefit our customers.

Operation and Maintenance

For the three months ended June 30, 2018, operation and maintenance expense increased primarily due to a:

- $5 million increase in our Market-Based Businesses from an increase in operations for Keystone, as discussed above, and the acquisition of Pivotal on June 4, 2018, offset in part by a decrease in our Contract Operations Group from the expiration of certain contracts; and

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- $9 million decrease in our Regulated Businesses from a $20 million benefit recorded in the second quarter of 2018, resulting from an insurance settlement related to the Freedom Industries chemical spill in West Virginia, offset in part by increases in production and other costs primarily driven by growth in the business.

For the six months ended June 30, 2018, operation and maintenance expense increased primarily due to a:

- $12 million increase in our Regulated Businesses from an increase in price and usage of purchase water and chemicals, along with an increase in employee-related costs and maintenance materials and supplies, related to the higher volume of main breaks and paving expense experienced in the first quarter of 2018, offset in part by a $20 million benefit recorded in the second quarter of 2018, resulting from an insurance settlement related to the Freedom Industries chemical spill in West Virginia; partially offset by a

- $3 million decrease in our Market-Based Businesses from the expiration of certain contracts in our Contract Operations Group and lower capital upgrades in our Military Services Group, as well as lower claims expense in our Homeowner Services Group, driven by operational efficiencies gained through improved planning and relationship management of key contractor partnerships, offset in part by an increase in operations for Keystone, as discussed above, and the acquisition of Pivotal on June 4, 2018.

Depreciation and Amortization

For the three and six months ended June 30, 2018, depreciation and amortization expense increased primarily due to additional utility plant placed in service.

General Taxes

For the three and six months ended June 30, 2018, general taxes increased mainly due to incremental property taxes in our subsidiaries, primarily Missouri.

Other Income (Expenses)

For the three and six months ended June 30, 2018, other income (expenses) decreased primarily due to a reduction in interest expense and actuarial losses related to the non-service cost components of pension and other post-retirement benefits expense. The presentation of net periodic benefit costs on the Consolidated Statements of Operations was changed pursuant the adoption and retrospective application of ASU 2017-07 on January 1, 2018. See Note 2—Significant Accounting Policies in the Notes to the Consolidated Financial Statements for additional information.

Provision for Income Taxes

For the three and six months ended June 30, 2018, our provision for income taxes decreased mainly due to the reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, resulting from the TCJA. In our Regulated Businesses, we expect the reduced tax rate will benefit our customers through established ratemaking, tax and regulatory normalization provisions. In our Military Services Group, we received guidance on how to apply the TCJA to our contracts with the U.S. government and expect to return the majority of the benefits received from the lower income tax rate, effective January 1, 2018, as anticipated.

Segment Results of Operations

Our segments are determined based on how we assess performance and allocate our resources. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being net income attributable to common stockholders. The majority of our business is conducted through our Regulated Businesses

reportable segment. We also operate several market-based businesses that provide a broad range of related and complementary water and wastewater services within four operating segments that individually do not meet the criteria of a reportable segment in accordance with GAAP. These four non-reportable operating segments are collectively presented as our Market-Based Businesses, which is consistent with how management assesses the results of our businesses.

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Regulated Businesses Segment

The following table summarizes certain financial information for our Regulated Businesses segment:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(In millions)								
Operating revenues	$ 744	$ 746	$ (2)	(0.3)%	$1,410	$1,405	$ 5	0.4 %
Operation and maintenance	264	273	(9)	(3.3)%	542	530	12	2.3 %
Depreciation and amortization	123	119	4	3.4 %	245	236	9	3.8 %
General taxes	66	60	6	10.0 %	131	123	8	6.5 %
Income before income taxes	226	230	(4)	(1.7)%	368	384	(16)	(4.2)%
Provision for income taxes	59	90	(31)	(34.4)%	97	150	(53)	(35.3)%
Net income attributable to common stockholders	167	140	27	19.3 %	271	234	37	15.8 %

Operating Revenues

The following tables summarize information regarding the main components of our Regulated Businesses' operating revenues and the ensuing discussions explain the material variances:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(In millions)								
Water services:								
Residential	$ 410	$ 413	$ (3)	(0.7)%	$ 778	$ 772	$ 6	0.8 %
Commercial	152	151	1	0.7 %	285	279	6	2.2 %
Industrial	34	35	(1)	(2.9)%	65	67	(2)	(3.0)%
Public and other	85	88	(3)	(3.4)%	165	168	(3)	(1.8)%
Total water services	681	687	(6)	(0.9)%	1,293	1,286	7	0.5 %
Wastewater services	38	36	2	5.6 %	76	70	6	8.6 %
Other (a)	25	23	2	8.7 %	41	49	(8)	(16.3)%
Total operating revenues	$ 744	$ 746	$ (2)	(0.3)%	$1,410	$1,405	$ 5	0.4 %

(a) Includes revenues from miscellaneous utility charges, alternative revenue programs and lease contracts.

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(Gallons in millions)								
Billed water services volumes:								
Residential	40,783	41,575	(792)	(1.9)%	78,238	77,560	678	0.9%
Commercial	19,767	19,817	(50)	(0.3)%	37,514	36,880	634	1.7%
Industrial	9,198	9,679	(481)	(5.0)%	18,895	18,557	338	1.8%
Public and other	12,343	12,342	1	— %	23,923	23,835	88	0.4%

Billed water services volumes	82,091	83,413	(1,322)	(1.6)%	158,570	156,832	1,738	1.1%

For the three months ended June 30, 2018, operating revenues decreased primarily due to a:

- $38 million decrease from the impacts of the TCJA which have or are expected to benefit our customer rates. This decrease is made up of two primary components: (i) a reserve on revenue billed during the second quarter of 2018, for the estimated income tax savings resulting from the TCJA, which is expected to benefit our customers in future rates; and (ii) rate adjustments made in certain subsidiaries where our Regulators have authorized an approach to pass the benefits from the lower income tax rate to our customers; partially offset by a

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- $28 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment growth in various states;
- $5 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; and a
- $2 million increase from higher water services demand, largely driven by warmer and drier weather in the Midwest.

For the six months ended June 30, 2018, operating revenues increased primarily due to a:

- $50 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment growth in various states;
- $14 million increase from water and wastewater acquisitions, as well as organic growth in existing systems;
- $6 million increase from higher water services demand, including $2 million driven by warmer and drier weather in the second quarter of 2018;
- $3 million increase from surcharges and other operating revenues, primarily in our Pennsylvania subsidiary; partially offset by a
- $70 million decrease from the impacts of the TCJA which have or are expected to benefit our customer rates. This decrease is made up of two primary components: (i) a reserve on revenue billed during the first half of 2018, for the estimated income tax savings resulting from the TCJA, which is expected to benefit our customers in future rates; and (ii) rate adjustments made in certain subsidiaries where our Regulators have authorized an approach to pass the benefits from the lower income tax rate to our customers.

Operation and Maintenance

The following table summarizes information regarding the components of our Regulated Businesses' operation and maintenance expense and the ensuing discussions explain the material variances:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(In millions)								
Production costs	$ 77	$ 74	$ 3	4.1 %	$ 146	$ 137	$ 9	6.6 %
Employee-related costs	110	108	2	1.9 %	227	214	13	6.1 %
Operating supplies and services	53	51	2	3.9 %	101	99	2	2.0 %
Maintenance materials and supplies	17	16	1	6.3 %	39	34	5	14.7 %
Customer billing and accounting	16	13	3	23.1 %	26	23	3	13.0 %
Other	(9)	11	(20)	(181.8)%	3	23	(20)	(87.0)%
Total	$ 264	$273	$ (9)	(3.3)%	$ 542	$ 530	$ 12	2.3 %

For the three months ended June 30, 2018, operation and maintenance expense decreased primarily due to a:

- $20 million benefit recorded in the second quarter of 2018, resulting from an insurance settlement related to the Freedom Industries chemical spill in West Virginia; partially offset by a

- $3 million increase in production costs from purchased water price and usage increases in our California subsidiary;

- $5 million combined increase in employee-related costs, operating supplies and services, and maintenance materials and supplies from acquisitions and growth of the business; and

- $3 million increase in customer billing and accounting from an increase in customer uncollectible expense and higher call volumes experienced at our customer service centers.

For the six months ended June 30, 2018, operation and maintenance expense increased primarily due to a:

- $9 million increase in production costs from purchased water price and usage increases in our California subsidiary, along with an increase in chemical costs and usage;

- $13 million increase in employee-related costs from an increase in headcount, mainly due to acquisitions, and compensation expense in support of the growth of the business, as well as an increase in overtime related to a higher volume of main breaks during the first quarter of 2018, the result of harshly frigid weather in the Midwest, Northeast and parts of the Mid-Atlantic;

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- $5 million increase in maintenance materials and supplies from a higher volume of main breaks and paving expense in the first quarter of 2018, driven by the colder weather experienced; and
- $3 million increase in customer billing and accounting from an increase in customer uncollectible expense and higher call volumes experienced at our customer service centers; partially offset by a
- $20 million benefit recorded in the second quarter of 2018, resulting from an insurance settlement related to the Freedom Industries chemical spill in West Virginia.

Depreciation and Amortization

For the three and six months ended June 30, 2018, depreciation and amortization increased primarily due to additional utility plant placed in service.

General Taxes

For the three and six months ended June 30, 2018, general taxes increased mainly due to incremental property taxes in our subsidiaries, primarily Missouri.

Provision for Income Taxes

For the three and six months ended June 30, 2018, our provision for income taxes decreased primarily due to the reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, resulting from the TCJA. We expect the reduced tax rate will benefit our customers through established ratemaking, tax and regulatory normalization provisions.

Market-Based Businesses

The following table summarizes certain financial information for our Market-Based Businesses and the ensuing discussions explain the material variances:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(In millions)								
Operating revenues	$ 114	$ 103	$ 11	10.7 %	$ 214	$ 206	$ 8	3.9 %
Operation and maintenance	89	84	5	6.0 %	169	172	(3)	(1.7)%
Income before income taxes	18	15	3	20.0 %	34	25	9	36.0 %
Provision for income taxes	5	7	(2)	(28.6)%	9	10	(1)	(10.0)%
Net income attributable to common stockholders	13	9	4	44.4 %	25	15	10	66.7 %

Operating Revenues

For the three months ended June 30, 2018, operating revenues increased primarily due to a:

- $9 million increase in Keystone from an increase in operations as a result of market recovery in the shale natural gas industry; and

- $7 million increase in our Homeowner Services Group from contract growth and the acquisition of Pivotal on June 4, 2018; partially offset by a
- $3 million decrease in our Contract Operations Group from the expiration of certain contracts; and
- $2 million decrease in our Military Services Group from lower capital upgrades, largely driven by reduced military base budgets.

For the six months ended June 30, 2018, operating revenues increased primarily due to a:

- $13 million increase in Keystone from an increase in operations as a result of market recovery in the shale natural gas industry; and
- $8 million increase in our Homeowner Services Group from contract growth and the acquisition of Pivotal on June 4, 2018; partially offset by a
- $9 million decrease in our Military Services Group from lower capital upgrades, largely driven by reduced military base budgets; and
- $5 million decrease in our Contract Operations Group from the expiration of certain contracts.

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Operation and Maintenance

For the three months ended June 30, 2018, operation and maintenance expense increased primarily due to a:

- $10 million increase in Keystone from an increase in operations, as discussed above; and
- $3 million increase from the acquisition of Pivotal on June 4, 2018; partially offset by a
- $5 million decrease in our Contract Operations Group from the expiration of certain contracts; and
- $2 million decrease in our Homeowner Services Group from lower claims expense, driven by operational efficiencies gained through improved planning and relationship management of key contractor partnerships.

For the six months ended June 30, 2018, operation and maintenance expense decreased primarily due to a:

- $8 million decrease in our Military Services Group from lower capital upgrades, as discussed above;
- $6 million decrease in our Contract Operations Group from the expiration of certain contracts; and
- $6 million decrease in our Homeowner Services Group from lower claims expense, driven by operational efficiencies gained through improved planning and relationship management of key contractor partnerships; partially offset by a
- $13 million increase in Keystone from an increase in operations, as discussed above; and
- $4 million increase related to the acquisition of Pivotal on June 4, 2018.

Provision for Income Taxes

For the three and six months ended June 30, 2018, our provision for income taxes decreased primarily due to the reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, resulting from the TCJA.

Liquidity and Capital Resources

For a general overview of our sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources contained in our Form 10-K.

We fund liquidity needs for capital investment, working capital and other financial commitments through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowing under the American Water Capital Corp. ("AWCC") revolving credit facility. On March 21, 2018, AWCC and certain lenders amended and restated the credit agreement with respect to AWCC's revolving credit facility to increase the maximum commitments under the facility to $2.25 billion from $1.75 billion and to extend the expiration date of the facility to March 2023 from June 2020. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods. We regularly evaluate the capital markets and closely monitor the financial condition of the financial institutions with contractual commitments in our revolving credit facility.

In order to meet our short-term liquidity needs, we, through AWCC, our wholly owned financing subsidiary, issue commercial paper, which is supported by our revolving credit facility. On March 21, 2018, AWCC increased the maximum aggregate principal amount of short-term commercial paper notes authorized for issuance under its commercial paper program from $1.60 billion to $2.10 billion. As of June 30, 2018, AWCC had no outstanding borrowings and $87 million of outstanding letters of credit under the revolving credit facility, with $2.16 billion available to fulfill our short-term liquidity needs and to issue letters of credit. As of June 30, 2018, the revolving credit facility supported $1.65 billion in outstanding commercial paper. We believe that our ability to access the capital markets, our revolving credit facility and our cash flows from operations will generate sufficient cash to fund our short-term requirements. However, we can provide no assurances that the lenders will meet their existing commitments to AWCC under the credit facility or that we will be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all.

The Company has four forward starting swap agreements, each with notional amounts of $100 million, to reduce interest rate exposure on debt expected to be issued in 2018. These forward starting swap agreements terminate in November 2018, and have an average fixed rate of 2.87%. We have designated these forward starting swap agreements as cash flow hedges with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt. See Note 7—Long-Term Debt and Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for further information.

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Additionally, on April 11, 2018, we effected an equity forward transaction by entering into a forward sale agreement with each of two forward purchasers in connection with a public offering of 2,320,000 shares of our common stock. In the equity forward transaction, the forward purchasers, or an affiliate, borrowed an aggregate of 2,320,000 shares of our common stock from third parties and sold them to the underwriters in the public offering. On June 7, 2018, we elected to fully and physically settle both forward sale agreements, resulting in the issuance of a total of 2,320,000 shares of our common stock at a price of $79.01 per share, for aggregate net proceeds of $183 million. The net proceeds of the transaction were used to finance a portion of the purchase price of the Pivotal acquisition.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the third quarter of each fiscal year. The following table provides a summary of the major items affecting cash flows provided by our operating activities:

	For the Six Months Ended June 30,	
	2018	2017
(In millions)		
Net income	$ 268	$ 224
Add (less):		
Depreciation and amortization	263	250
Deferred income taxes and amortization of investment tax credits	82	137
Other non-cash activities (a)	24	(12)
Changes in working capital (b)	(112)	(52)
Pension and post-retirement healthcare contributions	—	(23)
Net cash flows provided by operations	$ 525	$ 524

(a) Includes provision for losses on accounts receivable, gain on asset dispositions and purchases, pension and non-pension post-retirement benefits expense and other non-cash, net. Details of each component can be found in the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net.

For the six months ended June 30, 2018, cash flows from operating activities increased $1 million compared to the same period in 2017, primarily due to the increase in net income after non-cash adjustments and the decrease in pension and post-retirement healthcare contributions and related expense in the current year, partially offset by the change in working capital, and the change in deferred income taxes. The main factors contributing to the net income increase are described in this section under “Consolidated Results of Operations” and included higher operating revenue and a lower provision for income taxes. The change in working capital was primarily the result of the following: (i) an increase in accounts receivable, net due to increased revenues compared to the same period in the prior year; and (ii) a decrease in unbilled revenues as a result of our Military Services Group achieving significant capital project milestones during 2017. The change in deferred income taxes is primarily the result of the impact of the change in the federal income tax rate on the Company’s deferred income taxes from the enactment of the TCJA.

Cash Flows Used in Investing Activities

The following table provides information regarding cash flows used in our investing activities:

	For the Six Months Ended June 30,	
	2018	2017

(In millions)		
Net capital expenditures	$ (739)	$ (602)
Acquisitions	(377)	(9)
Other investing activities, net (a)	(33)	(24)
Net cash flows used in investing activities	$ (1,149)	$ (635)

(a) Includes removal costs from property, plant and equipment retirements, net, and proceeds from sale of assets and securities.

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For the six months ended June 30, 2018, cash used in investing activities increased primarily due to continued investment across all infrastructure categories, mainly replacement and renewal of transmission and distribution infrastructure in our Regulated Businesses, and increased cash used for acquisitions, primarily related to the Pivotal acquisition of $363 million, which closed on June 4, 2018. We expect investments in the range of $2.0 billion to $2.1 billion in 2018 for capital expenditures and acquisitions, including the Pivotal acquisition. Construction of our new corporate headquarters building in Camden, New Jersey is underway, and is expected to be completed by the end of 2018. The cost of construction is currently estimated to be up to $164 million, exclusive of any tax incentives, of which $77 million is expected to be incurred in 2018. During the six months ended June 30, 2018, we spent approximately $42 million towards this construction.

Cash Flows Provided by Financing Activities

The following table provides information regarding cash flows provided by our financing activities:

	For the Six Months Ended June 30,	
	2018	2017
(In millions)		
Proceeds from long-term debt	$ 15	$ 20
Repayments of long-term debt	(119)	(6)
Net proceeds from short-term borrowings	746	268
Proceeds from issuance of common stock	183	—
Dividends paid	(155)	(141)
Anti-dilutive stock repurchases	(45)	(54)
Other financing activities, net (a)	13	18
Net cash flows provided by financing activities	$ 638	$ 105

(a) Includes proceeds from issuances of common stock under various employee stock plans and our dividend reinvestment plan, advances and contributions for construction, net of refunds, and taxes paid related to employee stock plans.

For the six months ended June 30, 2018, the increase in cash flows provided by financing activities, as compared to the same period in 2017, is primarily due to the issuance of common stock to finance a portion of the purchase price of the Pivotal acquisition and an increase in short-term borrowings to support growth of our Regulated Businesses, finance a portion of the Pivotal acquisition, pay dividends and repay long-term debt.

Credit Facilities and Short-Term Debt

The following table summarizes information regarding our aggregate credit facility commitments, letter of credit sub-limits and available funds under those revolving credit facilities, as well as outstanding amounts of commercial paper and outstanding borrowings under the respective facilities as of June 30, 2018:

	Credit Facilities Commitment (a)	Available Credit Facility Capacity (a)	Letter of Credit Sublimit	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
(In millions)						
June 30, 2018	$ 2,262	$ 2,172	$ 150	$ 63	$ 2,100	$ 451

(a)

Includes amounts related to the revolving credit facility of Keystone. As of June 30, 2018, the total commitment under the Keystone revolving credit facility was $12 million, of which $9 million was available for borrowing, subject to compliance with a collateral base calculation. At June 30, 2018, there were no outstanding borrowings under this credit facility.

The weighted-average interest rate on AWCC short-term borrowings for three months ended June 30, 2018 and 2017 was approximately 2.34% and 1.24%, respectively. The weighted-average interest rate on AWCC short-term borrowings for the six months ended June 30, 2018 and 2017 was approximately 2.15% and 1.14%, respectively.

Debt Covenants

Our debt agreements contain financial and non-financial covenants. To the extent that we are not in compliance with these covenants, an event of default may occur under one or more debt agreements and we or our subsidiaries may be restricted in our ability to pay dividends, issue new debt or access our revolving credit facility. Our long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Our failure to comply with any of these covenants could accelerate repayment obligations.

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Covenants in certain long-term notes and the revolving credit facility require us to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On June 30, 2018, our ratio was 0.59 to 1.00 and therefore we were in compliance with the covenants.

Security Ratings

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

The following table presents our long-term and short-term credit rating and rating outlook as of June 30, 2018:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating Outlook	Negative	Stable
Senior unsecured debt	A3	A
Commercial paper	P-2	A-1

On June 11, 2018, Standard & Poor's Ratings Service affirmed the Company's long-term 'A' and short-term 'A-1' credit ratings, with a stable outlook remaining unchanged.

On January 19, 2018, Moody's Investors Service changed the rating outlook to negative, from stable, for 24 regulated utilities and utility holding companies, including the Company, all of which were primarily impacted by the enactment of the TCJA.

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

Dividends

On June 1, 2018, we paid a cash dividend of $0.455 per share to our stockholders of record as of May 11, 2018.

On July 27, 2018, our Board of Directors declared a quarterly cash dividend payment of $0.455 per share payable on September 4, 2018 to stockholders of record as of August 10, 2018. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends in our Form 10-K for more information regarding restrictions on the payment of dividends on our common stock.

Application of Critical Accounting Policies and Estimates

Our financial condition, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in our Form 10-K for a discussion of our critical accounting policies. Additionally, see Note 2—Significant Accounting Policies and Note 3—Revenue Recognition in the Notes to the Consolidated Financial Statements for updates to our significant accounting policies previously disclosed in our Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. For a discussion of our exposure to market risk, refer to Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk, in our Form 10-K. Except as described below, there have been no significant changes to our exposure to market risk since December 31, 2017.

On May 22, 2018, we entered into two forward starting swap agreements, each with a notional amount of $100 million, to reduce interest rate exposure on debt expected to be issued in 2018. These forward starting swap agreements terminate in November 2018, and have an average fixed rate of 3.16%. A hypothetical 1% adverse change in interest rates would result in a decrease in the fair value of our forward starting swaps of approximately $22 million at June 30, 2018.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Our management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2018.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2018, our disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

On June 4, 2018, the Company completed the acquisition of Pivotal. See Note 4—Acquisitions in the Notes to the Consolidated Financial Statements for additional information. We began to integrate Pivotal into our internal control over financial reporting structure and expect to complete this integration in 2019. We concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended June 30, 2018, other than changes resulting from the acquisition of Pivotal, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in our Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in our Form 10-K.

Alternative Water Supply in Lieu of Carmel River Diversions

On May 4, 2018, California-American Water Company, our wholly owned subsidiary ("Cal Am"), notified the Monterey Peninsula Water Management District ("MPWMD") and the California State Water Resources Control Board (the "SWRCB") that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order, triggering a 60-day meet and confer period prior to commencement of any action concerning the conflicting interpretations, which the parties agreed to extend to August 31, 2018. Any failure to follow MPWMD's resolution or the SWRCB's written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

The 2016 Order provides that if the California Public Utilities Commission (the "CPUC") authorizes Cal Am to acquire more than 1,000 acre-feet per year of water from a source other than the Water Supply Project, proponents of the alternative water source could submit revised milestones to the SWRCB for consideration. On May 8, 2018, certain parties to the Water Supply Project proceeding submitted a petition to the SWRCB to add parallel milestones to the 2009 Order for 2019, 2020, and 2021, based on the proposed expansion of the Pure Water Monterey project, another GWR project under construction on the Monterey peninsula. Petitioners claim that compliance with the alternate milestones would still provide for cessation of Cal Am's unauthorized diversions from the Carmel River by 2021. A recently completed preliminary report on feasibility concluded that the expanded Pure Water Monterey project could provide an additional 2,250 acre-feet of water per year. Cal Am believes that (i) the petition is premature, (ii) the expanded Pure Water Monterey project is not yet a sufficiently certain or reliable water supply and, even if construction is successfully completed, would provide an insufficient quantity of water to allow full compliance with the 2009 Order, and (iii) the imposition of parallel milestones would distract from completion of the Water Supply Project. This petition is pending.

Regional Desalination Project Litigation

On June 7, 2018, a motion for summary judgment filed in December 2017 by RMC Water and Environmental ("RMC"), a private engineering consulting firm, in the consolidated action associated with the failure of the RDP was denied. On June 12, 2018, the California Court of Appeal granted the writ petition filed by Cal Am and Monterey County Water Resources Agency ("MCWRA") on April 6, 2018 and ordered the trial court to vacate its February 5, 2018 order and allow Cal Am leave to amend its tort law claims. Following vacatur of the trial court's order, on June 28, 2018, Cal Am filed its Fifth Amended Complaint. Trial in the consolidated action has been set for March 25, 2019 in San Francisco County Superior Court.

Monterey Peninsula Water Supply Project

Cal Am's opening and closing briefs and related responses in the proceeding to obtain from the CPUC a certificate of public convenience and necessity ("CPCN") for the Water Supply Project were submitted on April 19, 2018 and May 3, 2018, respectively.

On January 9, 2018, a number of parties to the CPCN proceeding filed a motion for additional hearings on the possible expansion of the GWR Project and sale of water by Marina Coast Water District ("MCWD") to Cal Am. On May 11, 2018, a second, similar motion was filed. On June 5, 2018, the City of Marina filed a motion to remove the ban on ex parte communications related to the proceeding. Cal Am has opposed all of these motions as unnecessary and/or

inappropriate, and has argued that the motions and requested hearings could delay the CPUC's issuance of a decision on the CPCN request for the Water Supply Project. The motions remain pending.

Based on the foregoing, including the information contained in our Form 10-K with respect to the Water Supply Project (other than as updated in this Form 10-Q), Cal Am estimates that the earliest date by which the Water Supply Project desalination plant could be completed is sometime in 2021. There can be no assurance that Cal Am's application for the Water Supply Project will be approved or that the Water Supply Project will be completed on a timely basis, if ever. Furthermore, there can be no assurance that Cal Am will be able to comply with the diversion reduction requirements and other remaining requirements under the 2009 Order and the 2016 Order, or that any such compliance will not result in material additional costs or obligations to Cal Am or the Company.

California Public Utilities Commission Residential Rate Design Proceeding

On July 12, 2018, the CPUC adopted the April 9, 2018 presiding officer's decision that resolved the CPUC's residential tariff administration proceeding. The adoption provides for a waiver by Cal Am of $0.5 million of cost recovery for residential customers through the water revenue adjustment mechanism/modified cost balancing account, in lieu of a penalty.

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West Virginia Elk River Freedom Industries Chemical Spill

Global Class Action Litigation Settlement

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and proposed class action settlement (the "Settlement") for all claims and potential claims by all putative class members (collectively, the "Plaintiffs") against West Virginia-American Water Company ("WVAWC") and certain other Company affiliated entities (collectively, the "American Water Defendants") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement is July 16, 2018.

Under the terms and conditions of the Settlement and the final settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions that were resolved.

On June 1, 2018, the Company and its remaining non-participating general liability insurance carrier settled for a payment to the Company of $20 million, out of a maximum of $25 million in potential coverage under the terms of the relevant policy, in exchange for a full release by the American Water Defendants of all claims against the insurance carrier related to the Freedom Industries chemical spill.

Under federal class action rules, claimants had the right, until December 8, 2017, to elect to opt out of the final Settlement. Less than 100 of the 225,000 estimated putative Plaintiffs submitted opt-out notices, and these claimants will not receive any benefit from or be bound by the terms of the Settlement. While WVAWC and the Company are unable to predict the outcome of any future lawsuit that may be brought or maintained against the American Water Defendants by a claimant that has elected to opt out of the Settlement, the Company does not currently anticipate that such outcomes with respect to known opt out claimants will have a material adverse effect on the Company's financial condition, results of operations, cash flows, liquidity or reputation.

Dunbar, West Virginia Water Main Break Class Action Litigation

On October 12, 2017, WVAWC filed with the court a motion seeking to dismiss all of the plaintiffs' counts alleging statutory and common law tort claims. Furthermore, WVAWC asserted that the PSC, and not the court, has primary jurisdiction over allegations involving violations of the applicable tariff, the public utility code and related rules. On May 30, 2018, the court, at a hearing, denied WVAWC's motion to apply the primary jurisdiction doctrine. The court will issue a written order on the motion to dismiss, and has set a trial date of August 26, 2019.

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ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in our Form 10-K, and in our other public filings, which could materially affect our business, financial condition or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in our Form 10-K, other than as set forth below:

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Water and wastewater utilities, including our regulated subsidiaries and our Market-Based Businesses, have a large direct and indirect customer base and as a result are exposed to public criticism regarding, among other things, the reliability of their water, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory or other oversight and more stringent regulatory or economic requirements.

New York American Water Company, Inc. ("NYAW") is the subject of a New York State Public Service Commission ("NYSPSC") investigation related to the unintentional provision of incorrect data to a taxing authority that resulted in an over-assessment of real property taxes. NYAW self-reported this issue to the NYSPSC promptly after NYAW's senior leadership became aware of it. Neither NYAW nor any of its employees received any financial benefit as a result of this matter, as all customer overpayments were provided to the local taxing authorities. These errors resulted in the recovery by NYAW of an estimated $281 thousand in cumulative real property tax overpayments from approximately 4,400 of its customers, which amount will be returned in full with interest when approved by the NYSPSC. The NYSPSC investigation also relates to the failure of a few employees working on NYAW's 2016 general rate case to properly disclose these issues in that rate case. In July 2018, the NYSPSC ordered the commencement of an enforcement proceeding in New York State Supreme Court regarding these matters. NYAW and its management are fully cooperating with the NYSPSC and its staff in this investigation. There can be no assurance that NYAW will not be subject to additional federal, state or local proceedings, and these proceedings could result in increased oversight and civil, administrative and/or criminal sanctions, which may have a material adverse effect upon our reputation and perception in New York.

Unfavorable regulatory and economic outcomes also may include the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our agreements related to our Market-Based Businesses, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

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

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during three months ended June 30, 2018. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through June 30, 2018, the

Company repurchased an aggregate of 4,510,000 shares of common stock under the program, leaving an aggregate of 5,490,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

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ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
2.1	Stock Purchase Agreement, dated April 11, 2018, by and among American Water Enterprises, LLC, Nicor Energy Ventures Company (n/k/a Pivotal Home Solutions Co.), Nicor Energy Services Company (d/b/a Pivotal Home Solutions), Southern Company Gas and American Water Works Company, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed April 11, 2018).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
*10.1	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Stock Unit Grant Form for Non-Employee Directors.
10.2	Amendment, dated April 25, 2018, to Amended and Restated Letter Agreement between Loyd Warnock and American Water Works Company, Inc. (incorporated by reference to Exhibit 10.2.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.3	Confirmation of Forward Sale Transaction, dated April 11, 2018, among American Water Works Company, Inc., JPMorgan Chase Bank, National Association, and J.P. Morgan Securities LLC, solely as agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed April 16, 2018).
10.4	Confirmation of Forward Sale Transaction, dated April 11, 2018, between American Water Works Company, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, File No. 001-34028, filed April 16, 2018).
*31.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
*99.1	Computation of Ratios of Earnings to Fixed Charges.
*101	The following financial statements from American Water Works Company, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018, filed with the Securities and Exchange Commission on August 1, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Stockholders' Equity; and (vi) the Notes to Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 1st day of August, 2018.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

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Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

AMERICAN WATER WORKS COMPANY, INC.

2017 OMNIBUS EQUITY COMPENSATION PLAN

STOCK UNIT GRANT

This STOCK UNIT GRANT, dated as of May 11, 2018 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Board of Directors of the Company (the "Board") has determined to grant each non-employee director of the Company on the date of the Company's 2018 Annual Meeting of Stockholders a stock unit grant that will be converted to shares of common stock of the Company, par value $0.01 per share, (the "Company Stock") at a later date;

WHEREAS, the Participant is a non-employee director on the Board; and

WHEREAS, the Board has determined that the stock unit grant granted to the Participant shall be issued under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") and the terms and conditions of such stock unit shall be memorialized in this grant (the "Grant").

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

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Stock Units"). Each Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable distribution date, as described in Paragraph 4 below.

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

3. Vesting. The Participant shall be fully vested in the Stock Units credited to the Participant's Stock Unit Account pursuant to this Grant on the Date of Grant.

4. Distribution. The Stock Units shall be converted to shares of Company Stock and distributed by the Company within thirty (30) days following the earlier of (i) August 14, 2019 (the "Specified Date") (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), (ii) the Participant's separation from service (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code")) with the Company (the "Separation from

Service Date"), or (iii) the date of a Change of Control (as defined below) (the "Change of Control Date"). At the time of distribution, all Stock Units shall be converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of this Grant, the term "Change of Control" shall have the same meaning as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Code and its corresponding regulations.

5. Deferrals. The Participant may make an irrevocable election to defer the Specified Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Stock Units, plus dividend equivalents earned on such Stock Units as described in Paragraph 6 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Specified Date cannot be earlier than five (5) years from the original Specified Date under Paragraph 4 (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Specified Date (or twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Specified Date, the Participant must elect to defer 100% of the Stock Units, including corresponding dividend equivalents, granted to the Participant under this Grant and complete the deferral election form provided to the Participant by the Board, in the form attached hereto as Exhibit A or as may subsequently modified in the discretion of the Board. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Board for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Separation from Service Date or Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's Stock Units, plus corresponding dividend equivalents, will be made as a result of the occurrence of the Separation from Service Date or Change of Control Date, whichever is earlier. If a Specified Date is delayed one or more times pursuant to this Paragraph 5, the new Specified Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the earlier of the Specified Date (or the Deferred Date, if elected), Separation from Service Date or Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Stock Units credited to the Participant's Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Stock Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

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

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Participant also hereby agrees to be bound by the terms and conditions of the Plan and this Grant. The Participant further agrees to be bound by the determinations and decisions of the Board with respect to this Grant and the Plan and the Participant's rights to benefits under this Grant and the Plan, and agrees that all such determinations and decisions of the Board shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

(a) The obligation of the Company to deliver shares of Company Stock upon the distribution of the Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and its Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the distribution of the Stock Units shall not be transferred or disposed of by any means until

the Participant owns enough shares of Company Stock, or shares underlying stock units convertible into shares of Company Stock, or time-based restricted Company Stock, to meet or exceed five (5) times the Participant's annual cash retainer, which ownership requirement must be satisfied by the fifth (5th) anniversary of the Participant's commencement of service as a director on the Board.

10. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Board in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Board shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Participant's acceptance of this Grant is the Participant's agreement to be bound by the interpretations and decisions of the Board with respect to this Grant and the Plan.

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

12. No Rights to Continued Service. This Grant shall not confer upon the Participant any right to be retained in the service of the Employer (as defined in the Plan) and shall not interfere in any way with the right to terminate the Participant's service at any time. The right to terminate at will the Participant's service at any time for any reason is specifically reserved.

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

14. Withholding. To the extent required by applicable law, the Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the Grant, vesting or distribution of the Stock Units and dividend equivalents.

15. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Stock Units shall not be considered eligible earnings

for purposes of any other plans maintained by the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

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

17. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the records of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by facsimile, e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means), or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

18. Section 409A of the Code.

(a) This Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution cannot be provided or made at the time specified herein or as elected by the Participant, then such distribution shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed. Except according to a valid election made pursuant to Paragraph 5 above, in no event may the Participant designate the calendar year of distribution.

(b) Notwithstanding any provision to the contrary in this Grant, if any of the distributions under this Grant are payable to the Participant upon separation from service (within the meaning of section 409A of the Code) from the Employer, then if at the time of the Participant's separation from service the Participant is a "specified employee" (as such term is defined in section 409A(2)(B)(i) of the Code and its corresponding regulations) as determined by the Company (or any successor thereto) in its sole discretion in accordance with its specified employee determination policy, then all distributions to the Participant pursuant to this Grant shall be postponed for a period of six (6) months following the Participant's separation from service from the Employer. The postponed amounts shall be distributed to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's separation from service from the Employer. If the Participant dies during such six (6)-month period and prior to the distribution of the postponed amounts hereunder, the amounts delayed on account of section 409A of the Code shall be distributed to the personal representative of the Participant's estate within sixty (60) days after the date of the Participant's death, and any amounts not delayed shall be distributed to the personal representative of the Participant's estate in accordance with the terms of this Grant.

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan Story

/s/ SUSAN N. STORY

Its: President and CEO

Exhibit 10.1

EXHIBIT A

SUBSEQUENT DEFERRAL ELECTION FORM

PART A. TIME OF DISTRIBUTION

I, _____, (the "Participant") hereby irrevocably elect to have all of the Stock Units, plus corresponding dividend equivalents, (the "Deferred Units") granted to me pursuant to the Stock Unit Grant, dated as of May 11, 2018, (the "Grant") under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") that would have been distributed by American Water Works Company, Inc. to me on the Specified Date (as defined in the Grant), instead be distributed to me on the deferred date designated below (the "Deferred Date"), which date must be at least five (5) years later than the Specified Date, and this election is at least twelve (12) months prior to the Specified Date (to make this deferral election you must defer all of the Stock Units, plus corresponding dividend equivalents, granted to you pursuant the Grant, meaning there is no partial deferral):

Number of Stock Units, and Dividend Equivalents, to be Further Deferred (All Must Be Deferred)	**Original Specified Date** (Election Must Be Made at Least 12 Months Prior to the Specified Date)	**Deferred Date** (Must be a date that is at least 5 years later than the Original Specified Date)
100%	August 14, 2019	

PART B. ACKNOWLEDGMENT

I understand and expressly agree that (i) the Deferred Date for the Deferred Units shall be the date I specified in Part A above (which is a date that is at least five (5) years later than the original Specified Date), and (ii) I will not be entitled to receive distribution of the Deferred Units on an earlier date, except in the event that the Separation from Service Date (as defined in the Grant) or the Change of Control Date (as defined in the Grant) occurs prior to the Deferred Date. I also understand and expressly agree that this deferral election is irrevocable, is being made at least twelve (12) months prior to the original Specified Date, and shall not take effect until twelve (12) months after the date on which I make this election. I further understand and agree that the terms and conditions of the Grant and the Plan are hereby incorporated into this form. Lastly, I understand and agree that this deferral election applies to 100% of the Stock Units, and corresponding dividend equivalents, granted to me pursuant to the Grant.

PARTICIPANT SIGNATURE

Participant: _____ Date: _____

Receipt Acknowledged:

By: _____

Title: _____ Date: _____

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Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

I, Susan N. Story, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 1, 2018

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

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Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

I, Linda G. Sullivan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 1, 2018

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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Section 5: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan N. Story, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)
August 1, 2018

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Section 6: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Linda G. Sullivan, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
August 1, 2018

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Section 7: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

American Water Works Company, Inc.
Computation of Ratio of Earnings to Fixed Charges
(In millions)

	2013	2014	2015	2016	2017	For the Six Months Ended June 30, 2018
Income from continuing operations before income taxes	608	710	782	770	912	362
Fixed Charges:						
Interest, dividend on mandatory redeemable preferred shares and amortization of debt discount and expenses and premium on all indebtedness	315	305	316	331	350	178
Interest factor in rentals	8	7	7	8	9	5
Total fixed charges	323	312	323	339	359	183
Income from continuing operations plus fixed charges	931	1,022	1,105	1,109	1,271	545
Ratio of pre-tax income to net income	1.64	1.65	1.64	1.65	2.14	1.35
Total fixed charges	323	312	323	339	359	183
Ratio of earnings to fixed charges	**2.88**	**3.27**	**3.42**	**3.27**	**3.54**	**2.98**

American Water Capital Corp.
Computation of Ratio of Earnings to Fixed Charges
(In millions)

	2013	2014	2015	2016	2017	For the Six Months Ended June 30, 2018
Income (loss) before income taxes	—	—	—	—	—	—
Fixed Charges:						
Interest, dividend on mandatory redeemable preferred shares and amortization of debt discount and expenses and premium on all indebtedness	226	215	229	247	273	141
Interest factor in rentals	—	—	—	—	—	—
Total fixed charges	226	215	229	247	273	141
Income (loss) plus fixed charges	226	215	229	247	273	141
Ratio of pre-tax income to net income	—	—	—	—	—	—
Total fixed charges	226	215	229	247	273	141
Ratio of earnings to fixed charges	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

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Section 1: 10-Q (10-Q)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2018

OR

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

For the transition period from _____ to _____

Commission file number 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

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

(856) 346-8200

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of

this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
	(Do not check if a smaller reporting company)	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Class	Outstanding as of April 26, 2018
Common Stock, $0.01 par value per share	**178,047,882 shares (excludes 4,683,156 treasury shares as of April 26, 2018)**

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FORWARD-LOOKING STATEMENTS

We have made statements in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Quarterly Report on Form 10-Q ("Form 10-Q"), that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things, our future financial performance, including our operation and maintenance ("O&M") efficiency ratio, cash flows, our growth and portfolio optimization strategies, our projected capital expenditures and related funding requirements, our ability to repay debt, our projected strategy to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory, legislative, tax policy or legal developments or rate adjustments, including rate case filings, filings for infrastructure surcharges and filings to address regulatory lag, and impacts that the Tax Cuts and Jobs Act (the "TCJA") may have on us and our business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results or levels of activity, performance or achievements, and you are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Our actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions, taxes, permitting and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts;
- limitations on the availability of our water supplies or sources of water, or restrictions on our use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, water quality and emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares;
- the outcome of litigation and similar governmental proceedings, investigations or actions, including matters related to the Freedom Industries chemical spill in West Virginia and the preliminarily approved global class action settlement agreement related to this chemical spill;
- our ability to appropriately maintain current infrastructure, including our operational and information technology ("IT") systems, and manage the expansion of our business;

- exposure or infiltration of our critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber attacks or other means;
- our ability to obtain permits and other approvals for projects;
- changes in our capital requirements;
- our ability to control operating expenses and to achieve efficiencies in our operations;
- the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers;
- our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations;
- our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses;

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- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of our operations;
- our ability to maintain safe work sites;
- our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water service and management solutions that are focused on customers in the shale natural gas exploration and production market;
- changes in general economic, political, business and financial market conditions;
- access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- restrictive covenants in or changes to the credit ratings on us or our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends;
- fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements;
- changes in federal or state general, income and other tax laws, including any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the TCJA, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. federal and state income tax net operating loss ("NOL") carryforwards;
- migration of customers into or out of our service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn our systems, or the assertion by private landowners of similar rights against us;
- difficulty or inability to obtain insurance, our inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or our inability to obtain reimbursement under existing insurance programs for any losses sustained;
- the incurrence of impairment charges related to our goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the ability to retain and attract qualified employees;
- civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts;
- the impact of new, and changes to existing, accounting standards;
- obtaining regulatory consents and approvals required to complete, and satisfying other conditions to the closing of, the acquisition (the "Acquisition") of all of the capital stock of Nicor Energy Services Company, doing business as Pivotal Home Solutions ("Pivotal");

- the timing of the closing of the Acquisition;
- our ability to finance the purchase price of the Acquisition;
- our ability to realize benefits and synergies following the completion of the Acquisition;
- unexpected costs, liabilities or delays associated with the Acquisition or the integration of the business represented thereby;
- the timing and method of settlement of forward sale agreements we entered into to finance a portion of the purchase price of the Acquisition; and
- the amount and intended use of proceeds that may be received from the settlement of the forward sale agreements.

These forward-looking statements are qualified by, and should be read together with, the risk factors and other statements contained in our Annual Report on Form 10-K for the year ended December 31, 2017 ("Form 10-K"), and in this Form 10-Q, and you should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements we make speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

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PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	March 31, 2018	December 31, 2017
ASSETS		
Property, plant and equipment	$ 21,995	$ 21,716
Accumulated depreciation	(5,518)	(5,470)
Property, plant and equipment, net	16,477	16,246
Current assets:		
Cash and cash equivalents	55	55
Restricted funds	26	27
Accounts receivable, net	273	272
Unbilled revenues	188	212
Materials and supplies	42	41
Other	145	113
Total current assets	729	720
Regulatory and other long-term assets:		
Regulatory assets	1,062	1,061
Goodwill	1,379	1,379
Other	81	76
Total regulatory and other long-term assets	2,522	2,516
Total assets	$ 19,728	$ 19,482

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	March 31, 2018	December 31, 2017
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 182,723,455 and 182,508,564 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,438	6,432
Accumulated deficit	(617)	(723)
Accumulated other comprehensive loss	(75)	(79)
Treasury stock, at cost (4,683,156 and 4,064,010 shares, respectively)	(297)	(247)
Total common stockholders' equity	5,451	5,385
Long-term debt	6,396	6,490
Redeemable preferred stock at redemption value	7	8
Total long-term debt	6,403	6,498
Total capitalization	11,854	11,883
Current liabilities:		
Short-term debt	1,183	905
Current portion of long-term debt	421	322
Accounts payable	133	195
Accrued liabilities	495	630
Taxes accrued	64	33
Interest accrued	84	73
Other	159	167
Total current liabilities	2,539	2,325
Regulatory and other long-term liabilities:		
Advances for construction	265	271
Deferred income taxes, net	1,585	1,551
Deferred investment tax credits	22	22
Regulatory liabilities	1,673	1,664
Accrued pension expense	390	384
Accrued post-retirement benefit expense	39	40
Other	74	66
Total regulatory and other long-term liabilities	4,048	3,998
Contributions in aid of construction	1,287	1,276
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	$ 19,728	$ 19,482

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the Three Months Ended March 31,	
	2018	2017
Operating revenues	$ 761	$ 756
Operating expenses:		
Operation and maintenance	347	334
Depreciation and amortization	129	124
General taxes	70	68
Gain on asset dispositions and purchases	(2)	—
Total operating expenses, net	544	526
Operating income	217	230
Other income (expense):		
Interest, net	(84)	(85)
Non-operating benefit costs, net	3	(3)
Other, net	4	3
Total other income (expense)	(77)	(85)
Income before income taxes	140	145
Provision for income taxes	34	52
Net income attributable to common stockholders	$ 106	$ 93
Basic earnings per share:		
Net income attributable to common stockholders	$ 0.60	$ 0.52
Diluted earnings per share:		
Net income attributable to common stockholders	$ 0.59	$ 0.52
Weighted-average common shares outstanding:		
Basic	178	178
Diluted	179	179
Dividends declared per common share	$ —	$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2018	2017
Net income attributable to common stockholders	$ 106	$ 93
Other comprehensive income (loss), net of tax:		
Pension amortized to periodic benefit cost:		
Actuarial (gain) loss, net of tax of ($1) and $1 for the three months ended March 31, 2018 and 2017, respectively	(2)	2
Foreign currency translation adjustment	—	(1)
Unrealized gain on cash flow hedges, net of tax of $2 for the three months ended March 31, 2018 and 2017	6	3
Net other comprehensive income	4	4
Comprehensive income attributable to common stockholders	$ 110	$ 97

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 106	$ 93
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	129	124
Deferred income taxes and amortization of investment tax credits	33	64
Provision for losses on accounts receivable	3	4
Gain on asset dispositions and purchases	(2)	—
Pension and non-pension post-retirement benefits	8	15
Other non-cash, net	(10)	(18)
Changes in assets and liabilities:		
Receivables and unbilled revenues	20	51
Pension and non-pension post-retirement benefit contributions	—	(11)
Accounts payable and accrued liabilities	(73)	(72)
Other assets and liabilities, net	5	27
Net cash provided by operating activities	219	277
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(364)	(270)
Acquisitions, net of cash acquired	(8)	(2)
Proceeds from sale of assets and securities	6	—
Removal costs from property, plant and equipment retirements, net	(20)	(13)
Net cash used in investing activities	(386)	(285)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	10	—
Repayments of long-term debt	(6)	(4)
Net short-term borrowings with maturities less than three months	278	131
Proceeds from issuances of employee stock plans and direct stock purchase plan	4	10
Advances and contributions for construction, net of refunds of $4 for the three months ended March 31, 2018 and 2017, respectively	4	7
Dividends paid	(74)	(67)
Anti-dilutive share repurchases	(45)	(54)
Taxes paid related to employee stock plans	(5)	(9)
Net cash provided by financing activities	166	14
Net (decrease) increase in cash and cash equivalents and restricted funds	(1)	6
Cash and cash equivalents and restricted funds at beginning of period	83	99
Cash and cash equivalents and restricted funds at end of period	$ 82	$ 105
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of end of period	$ 175	$ 142

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
(In millions)

	Common Stock		Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2017	182.5	$ 2	$6,432	$ (723)	$ (79)	(4.1)	$(247)	$ 5,385
Net income attributable to common stockholders	—	—	—	106	—	—	—	106
Direct stock reinvestment and purchase plan	—	—	1	—	—	—	—	1
Employee stock purchase plan	—	—	1	—	—	—	—	1
Stock-based compensation activity	0.2	—	4	—	—	(0.1)	(5)	(1)
Repurchases of common stock	—	—	—	—	—	(0.5)	(45)	(45)
Net other comprehensive income	—	—	—	—	4	—	—	4
Balance as of March 31, 2018	182.7	$ 2	$6,438	$ (617)	$ (75)	(4.7)	$(297)	$ 5,451

	Common Stock		Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2016	181.8	$ 2	$6,388	$ (873)	$ (86)	(3.7)	$(213)	$ 5,218
Cumulative effect of change in accounting principle	—	—	—	21	—	—	—	21
Net income attributable to common stockholders	—	—	—	93	—	—	—	93
Direct stock reinvestment and purchase plan	—	—	3	—	—	—	—	3
Employee stock purchase plan	—	—	2	—	—	—	—	2
Stock-based compensation activity	0.4	—	7	—	—	(0.1)	(7)	—
Repurchases of common stock	—	—	—	—	—	(0.7)	(54)	(54)
Net other comprehensive income	—	—	—	—	4	—	—	4
Balance as of March 31, 2017	182.2	$ 2	$6,400	$ (759)	$ (82)	(4.5)	$(274)	$ 5,287

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements provided in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (collectively, "American Water" or the "Company"), in which a controlling interest is maintained after the elimination of intercompany accounts and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting, and with the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of March 31, 2018, and results of operations and cash flows for all periods presented have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2017 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

The Company adopted the following accounting standards as of January 1, 2018:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Revenue from Contracts with Customers	Changes the criteria for recognizing revenue from a contract with a customer. Replaces existing guidance on revenue recognition, including most industry specific guidance. The objective is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows.	January 1, 2018	Modified retrospective	The adoption had no material impact on the Consolidated Financial Statements. The primary impact was the additional disclosures required in the Notes to Consolidated Financial Statements. See Note 3—Revenue Recognition for additional information.
Clarifying the Definition of a Business	Updated the accounting guidance to clarify the definition of a business with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions, or disposals, of assets or businesses.	January 1, 2018	Prospective	The adoption had no material impact on the Consolidated Financial Statements.
Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-Retirement Benefit Cost	Updated authoritative guidance requires the service cost component of net periodic benefit cost to be presented in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. The remaining components of net periodic benefit cost are required to be presented separately from the service cost component in an income statement line item outside of operating income. Also, the guidance only	January 1, 2018	Retrospective for the presentation of the service cost component and the other components of net periodic benefit costs on the income statement; prospective for the limitation of	The Company presented in the current period, and reclassified in the prior period, net periodic benefit costs, other than the service cost component, in Non-operating benefit costs, net

allows for the service cost component to be eligible for capitalization. The updated guidance does not impact the accounting for net periodic benefit costs as regulatory assets or liabilities.	capitalization to only the service cost component of net periodic benefit costs in total assets.	on the Consolidated Statements of Operations.

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The following recently issued accounting standards have not yet been adopted by the Company as of March 31, 2018:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	Permits entities to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act (the "TCJA") to retained earnings.	January 1, 2019; early adoption permitted	In the period of adoption or retrospective.	The Company is evaluating the impact on its Consolidated Financial Statements, as well as the timing of adoption.
Accounting for Leases	Updated the accounting and disclosure guidance for leasing arrangements. Under this guidance, a lessee will be required to recognize the following for all leases, excluding short-term leases, at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the guidance, lessor accounting is largely unchanged.	January 1, 2019; early adoption permitted	Modified retrospective	The Company is evaluating the impact on its Consolidated Financial Statements.
Accounting for Hedging Activities	Updated the accounting and disclosure guidance for hedging activities, which allows for more financial and nonfinancial hedging strategies to be eligible for hedge accounting. Under this guidance, a qualitative effectiveness assessment is permitted for certain hedges if an entity can reasonably support an expectation of high effectiveness throughout the term of the hedge, provided that an initial quantitative test establishes that the hedge relationship is highly effective. Also, for cash flow hedges determined to be highly effective, all changes in the fair value of the hedging instrument will be recorded in other comprehensive income with a subsequent reclassification to earnings when the hedged item impacts earnings.	January 1, 2019; early adoption permitted	Modified retrospective for adjustments related to the measurement of ineffectiveness for cash flow hedges; prospective for the updated presentation and disclosure requirements.	The Company does not expect the adoption to have a material impact on its Consolidated Financial Statements based on its hedging activities as of the balance sheet date. The Company is evaluating the timing of adoption.
Simplification of Goodwill Impairment Testing	Updated authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in the update, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying value exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	January 1, 2020; early adoption permitted	Prospective	The Company is evaluating the impact on its Consolidated Financial Statements, as well as the timing of adoption.
Measurement of Credit Losses	Updated the accounting guidance on reporting credit losses for financial assets held at amortized cost basis and available-for-sale debt securities. Under this guidance, expected credit losses are required to be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. Also, this guidance requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down.	January 1, 2020; early adoption permitted	Modified retrospective	The Company is evaluating the impact on its Consolidated Financial Statements, as well as the timing of adoption.

Cash, Cash Equivalents and Restricted Funds

The following table provides a reconciliation of the cash, cash equivalents and restricted funds as presented on the Consolidated Balance Sheets, to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the periods ended March 31:

	2018	2017
Cash and cash equivalents	$ 55	$ 78
Restricted funds	26	23
Restricted funds included in other long-term assets	1	4
Cash and cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	$ 82	$ 105

Reclassifications

Certain reclassifications have been made to prior periods in the accompanying Consolidated Financial Statements and notes to conform to the current presentation.

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Note 3: Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers,* and all related amendments (collectively, "ASC 606" or the "standard"), using the modified retrospective approach, applied to contracts which were not completed as of January 1, 2018. Under this approach, periods prior to the adoption date have not been restated and continue to be reported under the accounting standards in effect for those periods. The Company's revenue associated with alternative revenue programs and lease contracts are outside the scope of ASC 606 and accounted for under other existing GAAP.

Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component. See Note 14—Segment Information for additional information regarding the Company's operating segments.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contract and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company elected to use the right to invoice and the disclosure of remaining performance obligations practical expedients for these revenues.

Market-Based Businesses Revenue

Through various protection programs, the Company provides fixed fee services to domestic homeowners and smaller commercial customers to protect against repair costs for interior and external water and sewer lines, interior electric lines, heating and cooling systems and water heaters, as well as power surge protection and other related services. All contracts have a one-year term and each service is a separate performance obligation, satisfied over time, as the customers simultaneously receive and consume the benefits provided from the service. Customers are obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for these services. Advances from customers are deferred until the performance obligation is satisfied. The Company elected to use the disclosure of remaining performance obligations practical expedients for these revenues.

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The Company's Market-Based Businesses also have long-term, fixed fee contracts to operate and maintain water and wastewater facilities with the U.S. government on various military bases and facilities owned by municipal and industrial customers, as well as shorter-term contracts that provide water management solutions for shale natural gas companies and customers in the water services market. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. The Company elected to use the significant financing component practical expedient for these contract revenues. Losses on contracts are recognized during the period in which the loss first becomes probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other (current liabilities) until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues, and are recognized in the period in which revisions are determined.

Disaggregated Revenues

The following table is a summary of the Company's operating revenues disaggregated for the three months ended March 31, 2018:

(In millions)	Revenues from Contracts with Customers	Other Revenues not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 368	$ —	$ 368
Commercial	133	—	133
Industrial	31	—	31
Public and other	80	—	80
Total water services	612	—	612
Wastewater services:			
Residential	27	—	27
Commercial	7	—	7
Industrial	1	—	1
Public and other	3	—	3
Total wastewater services	38	—	38
Miscellaneous utility charges	11	—	11
Alternative revenue programs revenue	—	3	3
Lease revenue	—	2	2
Total Regulated Businesses	661	5	666
Market-Based Businesses	100	—	100
Other	(5)	—	(5)
Total operating revenues	$ 756	$ 5	$ 761

(a) Includes revenues associated with alternative revenue programs and lease contracts which are outside the scope of ASC 606 and accounted for under other existing GAAP.

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Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Market-Based Businesses, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition, and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts and protection program contracts, and are recognized as revenue when the associated performance obligations are satisfied. Contract assets are included in unbilled revenues and contract liabilities are in included in other (current liabilities) on the Consolidated Balance Sheets as of March 31, 2018.

The following table summarizes the changes in contract assets and liabilities for the three months ended March 31, 2018:

(In millions)		
Contract assets:		
Balance at January 1, 2018	$	35
Additions		7
Transfers to accounts receivable, net		(23)
Balance at March 31, 2018	$	19
Contract liabilities:		
Balance at January 1, 2018	$	25
Additions		26
Transfers to operating revenues		(22)
Balance at March 31, 2018	$	29

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. As of March 31, 2018, the Company's operation and maintenance and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military bases expire between 2051 and 2068 and have RPOs of $3.8 billion as of March 31, 2018, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2018 and 2038 and have RPOs of $690 million as of March 31, 2018, as measured by estimated remaining contract revenue.

Note 4: Acquisitions

During the three months ended March 31, 2018, the Company closed on three acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $8 million. Assets acquired in the aforementioned acquisitions, principally utility plant, totaled $9 million. Liabilities assumed totaled $1 million, including $1 million of contributions in aid of construction. See Note 15—Subsequent Events for discussion relating to the pending acquisitions of Pivotal Home Solutions ("Pivotal") and the City of Alton, Illinois' regional wastewater system.

Note 5: Regulatory Liabilities

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. Fourteen of the Company's regulatory jurisdictions have either opened separate proceedings to address the TCJA, or are planning to incorporate the impacts of the TCJA in existing proceedings. The Company expects its regulated customers to benefit from the tax savings resulting from the TCJA and, as a result, recorded a $32 million reserve on revenue earned during the first quarter of 2018, for the estimated tax savings resulting from the TCJA; and a corresponding regulatory liability, of which, the current portion is $23 million and is recorded in other (current liabilities), and the long-term portion is $9 million and is recorded in regulatory liabilities on the Consolidated Balance Sheet as of March 31, 2018.

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Note 6: Stockholders' Equity

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2018 and 2017, respectively:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial (Gain) Loss	Foreign Currency Translation	Gain on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Beginning balance as of December 31, 2017	$ (140)	$ 1	$ 49	$ 1	$ 10	$ (79)
Other comprehensive income before reclassifications	—	—	—	—	6	6
Amounts reclassified from accumulated other comprehensive loss	—	—	(2)	—	—	(2)
Net other comprehensive income (loss)	—	—	(2)	—	6	4
Ending balance as of March 31, 2018	$ (140)	$ 1	$ 47	$ 1	$ 16	$ (75)
Beginning balance as of December 31, 2016	$ (147)	$ 1	$ 42	$ 2	$ 16	$ (86)
Other comprehensive income (loss) before reclassifications	—	—	—	(1)	3	2
Amounts reclassified from accumulated other comprehensive loss	—	—	2	—	—	2
Net other comprehensive income (loss)	—	—	2	(1)	3	4
Ending balance as of March 31, 2017	$ (147)	$ 1	$ 44	$ 1	$ 19	$ (82)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been capitalized as a regulatory asset. These accumulated other comprehensive income loss components are included in the computation of net periodic pension cost. See Note 10—Pension and Other Post-Retirement Benefits.

The amortization of the gain on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Anti-dilutive Stock Repurchase Program

During the three months ended March 31, 2018, the Company repurchased 0.6 million shares of common stock in the open market at an aggregate cost of $45 million under the anti-dilutive stock repurchase program authorized by the Company’s Board of Directors in 2015. As of March 31, 2018, there were 5.5 million shares of common stock available for repurchase under the program.

Forward Sale Agreements

See Note 15—Subsequent Events for discussion relating to the forward sale agreements entered into by the Company on April 11, 2018 and the related potential impacts on the Company's stockholders' equity.

Note 7: Long-Term Debt

The following long-term debt was issued during the three months ended March 31, 2018:

Company	Type	Rate	Maturity	Amount
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate (a)	0.00%	2020-2021	$ 10
Total issuances				$ 10

(a) This long-term debt relates to the New Jersey Environmental Infrastructure Financing Program.

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The following long-term debt was retired through sinking fund provisions, optional redemptions or payment at maturity during the three months ended March 31, 2018:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate	1.79% -2.90%	2021-2031	$ 1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00% -5.40%	2018-2041	3
Other American Water subsidiaries	Term Loan	4.83% -5.38%	2021	1
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	2036	1
Total retirements and redemptions				$ 6

The Company has two forward starting swap agreements, each with a notional amount of $100 million, to reduce interest rate exposure on debt expected to be issued in 2018. These forward starting swap agreements terminate in November 2018 and have an average fixed rate of 2.59%. The Company has designated these forward starting swap agreements as cash flow hedges with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

The Company has employed interest rate swaps to fix the interest cost on a portion of its variable-rate debt with an aggregate notional amount of $5 million. The Company has designated these interest rate swaps as economic hedges accounted for at fair value with gains or losses deferred as a regulatory asset or regulatory liability. The net gain recognized by the Company for the three months ended March 31, 2018 and 2017 was de minimis.

No ineffectiveness was recognized on hedging instruments for the three months ended March 31, 2018 and 2017.

The following table provides a summary of the gross fair value for the Company's derivative asset and liabilities, as well as the location of the asset and liability balances on the Consolidated Balance Sheets:

Derivative Instruments	Derivative Designation	Balance Sheet Classification	March 31, 2018	December 31, 2017
Asset derivative:				
Forward starting swaps	Cash flow hedge	Other current assets	$ 6	$ —
Liability derivative:				
Forward starting swaps	Cash flow hedge	Other current liabilities	—	3

Note 8: Short-Term Debt

On March 21, 2018, AWCC and its lenders amended and restated the credit agreement with respect to AWCC's revolving credit facility to increase the maximum commitments under the facility to $2.25 billion from $1.75 billion and to extend the expiration date of the facility to March 2023 from June 2020. The facility is used principally to support AWCC's commercial paper program and to provide a sub-limit of up to $150 million for letters of credit. As of March 31, 2018, no amounts were borrowed by AWCC under the credit agreement, except with respect to the letters of credit issued under the $150 million letter of credit sub-limit. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods. The financial covenants with respect to the facility remained unchanged from the credit agreement in effect on December 31, 2017.

On March 21, 2018, AWCC increased the maximum aggregate principal amount of borrowings authorized under its commercial paper program from $1.60 billion to $2.10 billion. As of March 31, 2018, AWCC had $1.18 billion in commercial paper outstanding.

Note 9: Income Taxes

The Company's effective income tax rate was 24.3% and 35.9% for the three months ended March 31, 2018 and 2017, respectively. The decrease of the Company's effective income tax rate primarily resulted from the reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018 from the enactment of the TCJA. There were no significant adjustments recorded during the first quarter of 2018 pursuant to Staff Accounting Bulletin 118.

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Note 10: Pension and Other Post-Retirement Benefits

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

	For the Three Months Ended March 31,	
	2018	2017
Components of net periodic pension benefit cost:		
Service cost	$ 9	$ 9
Interest cost	19	20
Expected return on plan assets	(25)	(24)
Amortization of actuarial loss	7	9
Net periodic pension benefit cost	$ 10	$ 14
Components of net periodic other post-retirement benefit (credit) cost:		
Service cost	$ 3	$ 3
Interest cost	6	7
Expected return on plan assets	(7)	(7)
Amortization of prior service credit	(5)	(5)
Amortization of actuarial loss	1	3
Net periodic other post-retirement benefit (credit) cost	$ (2)	$ 1

The Company made no contributions for the funding of its defined benefit pension plans for the three months ended March 31, 2018 and $10 million for the three months ended March 31, 2017, respectively. In addition, the Company made no contributions for the funding of its other post-retirement plans for the three months ended March 31, 2018 and $1 million for the three months ended March 31, 2017, respectively. The Company expects to make pension and post-retirement contributions to the plan trusts of up to $45 million during the remainder of 2018.

Note 11: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of March 31, 2018, the Company has accrued approximately $135 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $25 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

Background

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol (“MCHM”), and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the West Virginia-American Water Company (“WVAWC”) treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection, WVAWC took immediate

steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a "Do Not Use" order for all of its approximately 93,000 customer accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC's customers were subject to the Do Not Use order.

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Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, more than 70 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. In January 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed until July 27, 2018 pending the approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. The court in the Federal action has continued the start of the trial indefinitely pending ongoing settlement approval activities.

Proposed Global Class Action Settlement

On September 21, 2017, the court in the Federal action issued an order granting preliminary approval of a settlement class and proposed class action settlement (the "Settlement") with respect to claims against the American Water Defendants by all putative class members (collectively, the "Plaintiffs") for all claims and potential claims arising out of the Freedom Industries chemical spill. The Settlement proposes a global resolution of all federal and state litigation and potential claims against the American Water Defendants and their insurers. Under the terms and conditions of the Settlement and the proposed amended settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved. Under federal class action rules, claimants had the right, until December 8, 2017, to elect to opt out of the final Settlement, in which case such claimant would not receive any benefit from or be bound by the terms of the Settlement. Less than 100 of the 225,000 estimated putative Plaintiffs have submitted opt-out notices. The deadline to file a claim in the Settlement expired on February 21, 2018.

The proposed aggregate pre-tax amount of the Settlement with respect to the Company is $126 million. The aggregate portion of the Settlement to be contributed by WVAWC, net of insurance recoveries, is $43 million (approximately $26 million after tax), taking into account the September 2017 settlement with one of the Company's general liability insurance carriers discussed below. Another defendant to the Settlement is to contribute up to $25 million to the Settlement. Two of the Company's insurance carriers, which provide an aggregate of $50 million in insurance coverage to the Company under the Company's general liability insurance program, had been originally requested to participate in the Settlement at the time of the initial filing of the binding agreement in principle with the court in the Federal action, but did not agree to do so at that time. WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constituted a breach of contract. On September 19, 2017, the Company and the insurance carrier settled this lawsuit for $22 million, out of a maximum of $25 million in potential coverage under the terms of the relevant policy, in exchange for a full release by the Company and WVAWC of all claims against the insurance carrier related to the Freedom Industries chemical spill. WVAWC and the settling insurer have agreed to stay this litigation pending final approval of the Settlement. The Company and WVAWC continue to pursue vigorously their rights to insurance coverage for contributions by WVAWC to the Settlement in mandatory arbitration with the remaining non-participating carrier. This arbitration proceeding remains pending.

The proposed Settlement would establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76 million, of which $29 million will be contributed by WVAWC, including insurance deductibles, and $47 million would be contributed by two of the Company's general liability insurance carriers, and (ii) an individual review claim fund of up to $50 million, of which up to $14 million would be contributed by WVAWC and up to $36 million would be contributed by a number of the Company's general liability insurance carriers. Separately, up to $25 million would be contributed to the guaranteed fund by another defendant to the Settlement. If any final approval order by the court in the Federal action with respect to the Settlement is appealed and such appeal would delay potential payment to claimants under the Settlement, WVAWC and the other defendant to the Settlement will contribute up to $50 million and $25 million, respectively, to the Settlement (not including, in the case of WVAWC, any contributions by the Company's general liability insurance carriers which would not be made until such time as a final, non-appealable order is issued) into an escrow account during the pendency of such

appeals. For certain claims, WVAWC and the other defendant to the Settlement may, in lieu of these escrowed contributions, make advance payments of such claims if agreed to by the parties. All administrative expenses of the Settlement and attorneys' fees of class counsel related thereto would be paid from the funds designated to pay claims covered by the Settlement.

The settlement amount of $126 million is reflected in Accrued Liabilities and the offsetting insurance receivables are reflected in Other Current Assets on the Consolidated Balance Sheet as of March 31, 2018. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia (the "PSC") for approximately $4 million in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

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The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The insurance carrier that was requested, but presently has not agreed, to participate in the Settlement ranks lower in the general liability insurance structure than the insurance carriers that have agreed to contribute $36 million to the individual review claim fund, as noted above. As such, the non-participating carrier would have ordinarily be required to respond to pay a claim prior to the participating carriers. Any recovery by WVAWC or the Company from the remaining non-participating carrier would reimburse WVAWC for its contributions to the guaranteed fund.

Following completion of the required class member notice period, on January 9, 2018, the court in the Federal action held a fairness hearing to consider final approval of the Settlement, which was continued on February 1, 2018 to address certain open matters. At this hearing, the court in the Federal action indicated that it intended to enter an order approving the Settlement, and the parties submitted a proposed order to the court on February 2, 2018.

Other Related Proceedings

Additionally, investigations with respect to the matter have been initiated by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the PSC. As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act. Moreover, the PSC issued an order on June 15, 2017 concluding its investigation without requiring WVAWC to take any further action with respect to the matters covered by the general investigation.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. In September, 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. On April 4, 2017, the CSB indicated that the implementation by the Company of source water protection activities resolved the first two parts of the CSB's recommendation. On March 5, 2018, based on information the Company provided to the CSB, the CSB closed its investigation with a status of "acceptable action," which refers to the Company's actions on all three parts of the CSB's recommendation.

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the "public nuisance" it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a complaint in Lincoln County state court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public nuisance in Lincoln County. The complaint seeks an injunction against WVAWC that would require the creation of various databases and public repositories of documents related to the Freedom Industries chemical spill, as well as further study and risk assessments regarding the alleged exposure of Lincoln County residents to the released chemicals. On June 12, 2017, the Mass Litigation Panel entered an order granting a motion to transfer this case to its jurisdiction and stayed the case consistent with the existing stay order. The LCC has elected to opt out of the Settlement. On January 26, 2018, the LCC filed a motion seeking to lift the stay imposed by the Mass Litigation Panel. On March 5, 2018, this motion was denied. WVAWC believes that this lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

California Public Utilities Commission Residential Rate Design Proceeding

On April 9, 2018, the California Public Utilities Commission (the "CPUC") issued a presiding officer's decision ("POD") granting the motion for adoption of the Joint Settlement Agreement (described below) to resolve the CPUC's residential tariff administration proceeding. The POD provides for a waiver by California-American Water Company, a wholly owned subsidiary of the Company ("Cal Am"), of $0.5 million of cost recovery for residential customers through

the water revenue adjustment mechanism/modified cost balancing account ("WRAM/MCBA"), in lieu of a penalty. Any party or any CPUC commissioner may file an appeal of the POD by May 9, 2018. If no appeal is filed, the decision will become final.

The POD relates initially to a final CPUC decision issued in December 2016 in a proceeding involving Cal Am, adopting a new residential rate design for Cal Am's Monterey District. The decision allowed for recovery by Cal Am of $32 million in under-collections in the WRAM/MCBA over a five-year period, plus interest, and modified existing conservation and rationing plans. In its decision, the CPUC noted concern regarding Cal Am's residential tariff administration, specifically regarding the lack of verification of customer-provided information about the number of residents per household. This information was used for generating billing determinants under the tiered rate system. As a result, the CPUC kept this proceeding open to address several issues, including whether Cal Am's residential tariff administration violated a statute, rule or CPUC decision, and if so, whether a penalty should be imposed.

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On February 24, 2017, Cal Am, the Monterey Peninsula Water Management District, the CPUC's Office of Ratepayer Advocates, and the Coalition of Peninsula Businesses, filed for CPUC approval of a joint settlement agreement (the "Joint Settlement Agreement"), which among other things, proposed to resolve the CPUC's residential tariff administration concerns by providing for a waiver by Cal Am of $0.5 million of cost recovery for residential customers through the WRAM/MCBA in lieu of a penalty. On March 28, 2017, the administrative law judge assigned to the proceeding issued a ruling stating there was sufficient evidence to conclude, on a preliminary basis, that Cal Am's administration of the residential tariff violated certain provisions of the California Public Utilities Code and a CPUC decision. This ruling ordered Cal Am to show cause why it should not be penalized for these administrative violations and directed the settling parties to address whether the cost recovery waiver in the Joint Settlement Agreement was reasonable compared to a potential penalty range ultimately clarified by the administrative law judge to be from $3 million to $179 million. However, in the April 9, 2018 POD, the administrative law judge found that Cal Am's administration of the residential tariff did not in fact violate the California Public Utilities Code or a CPUC decision, which was a significant departure from the judge's March 28, 2017 ruling. The POD essentially reverses the CPUC's position expressed in the earlier ruling.

As of March 31, 2018, the portions of this loss contingency that are probable and/or reasonably possible have been determined to be immaterial to the Company and have been included in the aggregate maximum amounts described above in the paragraph under "Contingencies" in this Note 11—Commitments and Contingencies.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of WVAWC's West Relay pumping station located in the City of Dunbar. The failure of the main caused water outages and low pressure to up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a class action complaint was filed in West Virginia Circuit Court in Kanawha County against WVAWC on behalf of a purported class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

On October 12, 2017, WVAWC filed with the court a motion seeking to dismiss all of the plaintiffs' counts alleging statutory and common law tort claims. Furthermore, WVAWC asserts that the PSC, and not the court, has primary jurisdiction over allegations involving violations of the applicable tariff, the public utility code and related rules. This motion remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible losses or a range of such losses related to this proceeding.

Note 12: Earnings per Common Share

The following table is a reconciliation of the numerator and denominator for basic and diluted earnings per share calculations:

	For the Three Months Ended March 31,	
	2018	2017
Numerator:		
Net income attributable to common stockholders	$ 106	$ 93
Denominator:		
Weighted-average common shares outstanding—Basic	178	178
Effect of dilutive common stock equivalents	1	1
Weighted-average common shares outstanding—Diluted	179	179

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The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units and performance stock units granted under the 2007 and the 2017 Omnibus Equity Compensation Plans, as well as shares purchased under the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three months ended March 31, 2018 and 2017 because their effect would have been anti-dilutive under the treasury stock method.

Forward Sale Agreements

See Note 15—Subsequent Events for discussion relating to the forward sale agreements entered into by the Company on April 11, 2018 and the related potential impacts on the Company's diluted earnings per common share.

Note 13: Fair Value of Financial Assets and Liabilities

Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

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

The carrying amounts including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and fair values of the financial instruments were as follows:

	Carrying Amount	At Fair Value as of March 31, 2018			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 9	$ —	$ —	$ 12	$ 12
Long-term debt (excluding capital lease obligations)	6,814	4,630	959	1,782	7,371

	Carrying Amount	At Fair Value as of December 31, 2017			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 10	$ —	$ —	$ 14	$ 14
Long-term debt (excluding capital lease obligations)	6,809	4,846	976	1,821	7,643

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Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy as of March 31, 2018 and December 31, 2017 respectively:

	At Fair Value as of March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 28	$ —	$ —	$ 28
Rabbi trust investments	15	—	—	15
Deposits	4	—	—	4
Mark-to-market derivative asset	—	6	—	6
Other investments	5	—	—	5
Total assets	52	6	—	58
Liabilities:				
Deferred compensation obligations	17	—	—	17
Total liabilities	17	—	—	17
Total net assets (liabilities)	$ 35	$ 6	$ —	$ 41

	At Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 28	$ —	$ —	$ 28
Rabbi trust investments	15	—	—	15
Deposits	4	—	—	4
Other investments	3	—	—	3
Total assets	50	—	—	50
Liabilities:				
Deferred compensation obligations	17	—	—	17
Mark-to-market derivative liabilities	—	3	—	3
Total liabilities	17	3	—	20
Total net assets (liabilities)	$ 33	$ (3)	$ —	$ 30

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations, maintenance and repair projects. Long-term restricted funds of $1 million were included in other long-term assets as of March 31, 2018 and December 31, 2017, respectively.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

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

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

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

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets.

Note 14: Segment Information

The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates businesses that provide a broad range of related and complementary water and wastewater services in non-regulated markets, which includes four operating segments that individually do not meet the criteria of a reportable segment. These four non-reportable operating segments are collectively presented as the "Market-Based Businesses." "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The following tables include the Company's summarized segment information:

	As of or for the Three Months Ended March 31, 2018			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 666	$ 100	$ (5)	$ 761
Depreciation and amortization	122	4	3	129
Total operating expenses, net	462	86	(4)	544
Interest, net	(69)	1	(16)	(84)
Income before income taxes	142	16	(18)	140
Provision for income taxes	38	4	(8)	34
Net income attributable to common stockholders	104	12	(10)	106
Total assets	17,817	604	1,307	19,728

	As of or for the Three Months Ended March 31, 2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 659	$ 103	$ (6)	$ 756
Depreciation and amortization	117	4	3	124
Total operating expenses, net	438	94	(6)	526
Interest, net	(66)	—	(19)	(85)
Income before income taxes	154	10	(19)	145
Provision for income taxes	60	3	(11)	52
Net income attributable to common stockholders	94	7	(8)	93
Total assets	16,632	555	1,423	18,610

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Note 15: Subsequent Events

Pivotal Home Solutions Acquisition Agreement

On April 11, 2018 the Company, through its subsidiary American Water Enterprises, LLC ("AWE"), entered into a stock purchase agreement to acquire (the "Acquisition") all of the capital stock of Nicor Energy Services Company, doing business as Pivotal Home Solutions ("Pivotal"), from Nicor Energy Ventures Company Gas ("Nicor"), a subsidiary of Southern Company Gas. Pivotal is headquartered in Naperville, Illinois and is a provider of home warranty protection products and services, operating in 18 states with approximately 1.2 million customer contracts. Under the terms of the stock purchase agreement, AWE will purchase from Nicor all of Pivotal's capital stock for an aggregate purchase price of approximately $365 million in cash, including an estimated $7 million of Pivotal's working capital at closing, subject to adjustment based on the post-closing determination of Pivotal's working capital as set forth in the stock purchase agreement. The Acquisition is expected to close in the second quarter of 2018.

Equity Forward Transaction

On April 11, 2018, the Company effected an equity forward transaction by entering into a forward sale agreement with each of two forward purchasers in connection with a public offering of 2,320,000 shares of the Company's common stock. In the equity forward transaction, the forward purchasers or an affiliate borrowed an aggregate of 2,320,000 shares of the Company's common stock from third parties and sold them to the underwriters in the public offering. Except under limited circumstances, the Company has the right under the forward sale agreements to elect physical, net share or cash settlement in whole or in part. If the Company decides to physically settle a forward sale agreement, the Company will issue shares of its common stock to the forward purchaser at the then-applicable forward sale price. The forward sale price is initially $79.36 per share, and is subject to adjustment as specified in each forward sale agreement. The Company must settle the forward sale agreements in full on or before April 11, 2019.

The Company did not receive any proceeds from the sale of its common stock by the underwriters. The Company currently intends to elect full physical settlement of the forward sale agreements by delivering 2,320,000 shares of its Common Stock if the Company successfully completes the Acquisition. The net proceeds of the equity forward transaction are intended to be used to finance a portion of the purchase price of the Acquisition.

Alton, Illinois Wastewater Acquisition

On April 13, 2018, the Company's Illinois subsidiary entered into an agreement to acquire the City of Alton, Illinois' regional wastewater system for approximately $54 million. This system currently serves approximately 23,000 customers, including customers in the nearby communities of Bethalto and Godfrey. The closing of this acquisition is subject to approval by the Illinois Public Utility Commission. The Company is expecting this acquisition to close in the first quarter of 2019.

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

The following discussion should be read together with the unaudited Consolidated Financial Statements and the notes thereto included elsewhere in this Form 10-Q. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as result of a number of factors, including those we discuss under "Forward-Looking Statements," and elsewhere in this Form 10-Q.

Overview

Through its subsidiaries, American Water Works Company, Inc. is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenue and population served. Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as our "Regulated Businesses." Our utilities are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation, together referred to as Public Utility Commissions ("PUCs" or "Regulators"). We also operate several market-based businesses that are not subject to economic regulation by PUCs, collectively presented as our "Market-Based Businesses." These businesses provide a broad range of related and complementary water and wastewater services to military bases, municipalities, shale natural gas exploration and production companies, as well as residential, commercial and industrial customers. For further description of our businesses, see Part I, Item 1—Business in our Form 10-K.

You should read the following discussion in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Form 10-Q and in our Form 10-K. Throughout this Form 10-Q, unless the context otherwise requires, references to "we", "us", "our", the "Company", and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken as a whole.

Quarter Highlights

The following key events and transactions highlighted our first quarter of 2018:

- We upsized our revolving credit facility to a maximum of $2.25 billion from $1.75 billion and extended the expiration date to March 2023 from June 2020. We also increased the maximum authorized borrowings under our commercial paper program to $2.10 billion from $1.60 billion.
- Our California subsidiary received a decision on its cost of capital filing, authorizing a 9.20% return on equity, an increase in its equity ratio from 53% to 55.39% and approved our requested 5.63% cost of debt.
- Fourteen of our regulatory jurisdictions have either opened separate proceedings to address the TCJA, or are planning to incorporate the impacts of the TCJA in existing proceedings, including the state of New Jersey which, effective April 1, 2018, required all utilities to revise interim rates to reflect the new federal corporate income tax rate of 21%. We are working with our regulators to determine the best approach for addressing the TCJA in each of these jurisdictions.

Subsequent to March 31, 2018, the following key events occurred:

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On April 11, 2018, American Water Enterprises, LLC ("AWE"), a wholly owned subsidiary of the Company, entered into a purchase agreement to acquire Pivotal Home Solutions, a leading provider of home warranty protection products and services, for approximately $365 million in cash. This transaction is expected to close in the second quarter of 2018 and is intended to be financed with approximately 50% debt and 50% equity. For the equity portion, we entered into forward sale agreements on April 11, 2018. See Note 15—Subsequent Events in the Notes to the Consolidated Financial Statements for additional information.

- On April 13, 2018, our Illinois subsidiary entered into an agreement to acquire the City of Alton, Illinois' regional wastewater system, serving roughly 23,000 customers, for approximately $54 million, with an expected closing in the first quarter of 2019.

- On May 2, 2018, the principal issues in our Missouri subsidiary's general rate case filing were resolved and additional annualized revenues of $33 million were authorized, excluding previously approved infrastructure surcharge revenues and reflecting the TCJA's reduction in the federal corporate income tax rate. This authorization is not final until a written order is issued.

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Financial Results

For the three months ended March 31, 2018, net income attributable to common stockholders was $0.59 per diluted share, an increase of $0.07 per diluted share, or 13.5% compared to the same period in 2017. This increase was primarily due to continued growth in our Regulated Businesses, largely driven by infrastructure investment, acquisitions and organic growth, combined with growth in our Market-Based Businesses, mainly from our Homeowner Services Group. See "Consolidated Results of Operations" and "Segment Results of Operations" in this section for further discussion.

Focusing on Central Themes

In 2018, our strategy, which is driven by our vision and core values, will continue to be anchored on our five central themes: (i) safety; (ii) customers; (iii) people; (iv) growth; and (v) technology and operational efficiency. We continue to focus on operating our business responsibly and managing our operating and capital costs in a manner that benefits our customers and produces long-term value for our stockholders. Additionally, we continue to execute on our ongoing strategy that ensures a safe workplace for our employees, emphasizes public safety for our customers and communities, and leverages our human resources, processes and technology innovation to make our business more effective and efficient. The progress that we have made during the first three months of 2018 with respect to growth and improvement in our operational efficiency is described below.

Growth—Infrastructure improvements, acquisitions and strategic capital investments

During the first three months of 2018, we made capital investments of approximately $343 million, focused in two key areas:

- $335 million, of which the majority was in our Regulated Businesses for infrastructure improvements; and
- $8 million to fund acquisitions in our Regulated Businesses, which added approximately 2,500 water and wastewater customers.

For the full year of 2018, our capital investment is expected to be in the range of $1.9 billion to $2.1 billion, including the acquisition of Pivotal, which is expected to close in the second quarter of 2018.

On April 11, 2018, AWE entered into a stock purchase agreement to acquire all of the capital stock of Pivotal from a subsidiary of Southern Company Gas. Pivotal is headquartered in Naperville, Illinois and is a leading provider of home warranty protection products and services, operating in 18 states with approximately 1.2 million customer contracts. Under the terms of the stock purchase agreement, AWE will purchase all of Pivotal's capital stock for an aggregate purchase price of approximately $365 million, including an estimated $7 million of Pivotal's working capital at closing, subject to adjustment as set forth in the stock purchase agreement. The completion of the Acquisition is subject to obtaining regulatory consents and approvals and satisfying other customary closing obligations. The Acquisition is expected to close in the second quarter of 2018 and is intended to be financed with approximately 50% debt and 50% equity. See Note 15—Subsequent Events in the Notes to the Consolidated Financial Statements for additional information.

On April 13, 2018, our Illinois subsidiary entered into an agreement to acquire the City of Alton, Illinois' regional wastewater system for approximately $54 million. This system currently serves approximately 23,000 customers, including customers in the nearby communities of Bethalto and Godfrey. The closing of this acquisition is subject to approval by the Illinois PUC. We are expecting this acquisition to close in the first quarter of 2019.

On September 29, 2017, our Military Services Group was awarded a contract for ownership, operation and maintenance of the water and wastewater systems at Wright-Patterson Air Force Base, the largest single-site employer in the state of Ohio. The contract award includes estimated revenues of approximately $490 million over a 50-year period, subject to an annual economic price adjustment. After successful resolution of a bid protest that had been filed by an unsuccessful bidder in the fourth quarter of 2017, the contract previously awarded to our Military Services Group was reinstated on April 20, 2018.

Technology & Operational Efficiency—Continued improvement in our Regulated Businesses' adjusted O&M efficiency ratio

Our adjusted O&M efficiency ratio, which we use as a measure of our operating performance, was 35.6% for the twelve months ended March 31, 2018, as compared to 36.6% for the twelve months ended March 31, 2017, with all periods prior to January 1, 2018, presented on a pro forma basis to include the estimated impact of the TCJA on operating revenues. The improvement in this ratio was primarily attributable to an increase in operating revenue our Regulated Businesses.

Our adjusted O&M efficiency ratio is defined as the operation and maintenance expenses from our Regulated Businesses divided by the pro forma operating revenues from our Regulated Businesses, where both operation and maintenance expenses and pro forma operating revenues were adjusted to eliminate purchased water expense. Additionally, from operation and maintenance expenses, we excluded the allocable portion of non-operation and maintenance support services cost, mainly depreciation and general taxes, that are reflected in our Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, are categorized within other line items in the accompanying Consolidated Statements of Operations.

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In addition to the adjustments discussed above, for period-to-period comparability purposes, we have presented the estimated impact of the TCJA on operating revenues for our Regulated Businesses on a pro forma basis for all periods presented prior to January 1, 2018, as if the lower federal corporate income tax rate was in effect for these periods (see Note 5—Regulatory Liabilities in the Notes to the Consolidated Financial Statements for additional information). We also made the following adjustments to our O&M efficiency ratio: (i) we excluded from operation and maintenance expenses the impact of certain Freedom Industries chemical spill settlement activities recognized in 2016 and 2017; and (ii) we excluded from operation and maintenance expenses the impact of the Company's January 1, 2018 adoption of Accounting Standard Update 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-Retirement Benefit Cost* ("ASU 2017-07") for 2016, 2017 and 2018 (see Note 2—Significant Accounting Policies in the Notes to the Consolidated Financial Statements for additional information). We excluded the items discussed above from the calculation as we believe such items are not reflective of management's ability to increase the efficiency of our Regulated Businesses.

We evaluate our operating performance using this ratio because we believe it directly measures improvement in the efficiency of our Regulated Businesses. This information is intended to enhance an investor's overall understanding of our operating performance. Our adjusted O&M efficiency ratio is not an accounting measure that is based on accounting principles generally accepted in the United States ("GAAP"), may not be comparable to other companies' operating measures and should not be used in place of the GAAP information provided elsewhere in this report.

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The following table provides the calculation of our adjusted O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of our adjusted O&M efficiency ratio:

	For the Twelve Months Ended March 31,	
(In millions)	**2018**	**2017**
Total operation and maintenance expenses	$ 1,388	$ 1,493
Less:		
Operation and maintenance expenses—Market-Based Businesses	329	361
Operation and maintenance expenses—Other	(48)	(44)
Total operation and maintenance expenses—Regulated Businesses	1,107	1,176
Less:		
Regulated purchased water expenses	131	122
Allocation of non-operation and maintenance expenses	30	28
Impact of Freedom Industries settlement activities (a)	(22)	65
Impact of adoption of ASU 2017-07 (b)	6	5
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 962	$ 956
Total operating revenues	$ 3,362	$ 3,315
Less:		
Pro forma adjustment for impact of the TCJA (c)	129	163
Total pro forma operating revenues	3,233	3,152
Less:		
Operating revenues—Market-Based Businesses	419	440
Operating revenues—Other	(22)	(21)
Total pro forma operating revenues—Regulated Businesses	2,836	2,733
Less:		
Regulated purchased water revenues (d)	131	122
Adjusted pro forma operating revenues—Regulated Businesses (ii)	$ 2,705	$ 2,611
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	35.6%	36.6%

NOTE The adjusted O&M efficiency ratio previously reported for the twelve months ended March 31, 2017 was 34.6%, which did not include the adjustments for the items discussed in footnotes (b) and (c) below.

(a) Includes the impact of the binding global agreement in principle to settle claims in 2016 and a settlement with one of our general liability insurance carriers in 2017.

(b) Includes the impact of the Company's adoption of ASU 2017-07 on January 1, 2018. See Note 2—Significant Accounting Policies in the Notes to the Consolidated Financial Statements for additional information.

(c) Includes the estimated impact of the TCJA on operating revenues for our Regulated Businesses for all periods presented prior to January 1, 2018, as if the lower federal corporate income tax rate was in effect for these periods. See Note 5—Regulatory Liabilities in the Notes to the Consolidated Financial Statements for additional information.

(d) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

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Regulatory Matters

The following table provides annualized incremental revenues resulting from rate authorizations that became effective during the three months ended March 31, 2018 for general rate cases and infrastructure surcharges, assuming a constant water sales volume:

(In millions)	For the Three Months Ended March 31, 2018
General rate cases by state:	
Pennsylvania (effective January 1, 2018)	$ 62
Total general rate cases	$ 62
Infrastructure surcharges by state:	
Indiana (effective March 14, 2018)	$ 7
Virginia (effective March 1, 2018)	1
Illinois (effective January 1, 2018)	3
West Virginia (effective January 1, 2018)	3
Total infrastructure surcharges	$ 14

On May 2, 2018, the Missouri Public Service Commission ("MoPSC") voted in open session to approve the stipulations of settlement resolving the principal issues in our Missouri subsidiary's general rate case. The approved stipulations and settlement include a $33 million revenue requirement increase, excluding previously approved infrastructure surcharge revenues and reflecting the prospective impact of the reduction in federal corporate income tax rate resulting from the TCJA, beginning as of the effective date of the new rates. The MoPSC's determination is not final until a written order is issued.

On April 10, 2018, our Tennessee subsidiary received a decision on its infrastructure surcharge filing, authorizing additional annualized revenues of $1 million, which includes the impact of the reduction in the federal corporate income tax rate resulting from the TCJA.

On March 22, 2018, our California subsidiary received a decision on its cost of capital filing, authorizing for 2018, a 9.20% return on equity, a 5.63% cost of debt and a capital structure of 44.61% debt and 55.39% equity. The decision also approved continuation of the three-year trigger mechanism tied to the Moody's Baa utility bond index.

Pending General Rate Case Filings

On April 30, 2018, our West Virginia subsidiary filed a general rate case requesting $29 million in additional annualized water and wastewater revenues, excluding previously authorized infrastructure surcharge revenues.

During the third quarter of 2017, our New Jersey subsidiary filed a general rate case requesting $129 million in additional annualized water and wastewater revenues. On February 8, 2018, this request was reduced to $117 million to reflect the reduction in the federal corporate income tax rate resulting from the TCJA.

During the third quarter of 2016, our California subsidiary filed a general rate case requesting $35 million in additional annualized revenues for 2018 and an increase of $8 million in the escalation year of 2019 and the attrition year of 2020. During the fourth quarter of 2016, an update to this request was filed, reducing the 2018 request to $32 million in additional annualized revenues and increasing the 2019 escalation year request to $9 million. On February 23, 2018, the 2018 request was reduced to $24 million to reflect the reduction in the federal corporate income tax rate resulting from the TCJA, and then further reduced to $19 million on April 6, 2018, to reflect the impact of the recently approved cost of capital decision in the current general rate filing.

There is no assurance that all or any portion of these requests will be granted.

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Legislative Updates

During the first quarter of 2018, two of our regulatory jurisdictions enacted fair market value legislation further enabling private sector investment in public sector water and wastewater systems. This legislature includes House File 2307 in Iowa and House Bill 1566 in Maryland, both of which allow a fair market value methodology to be included in rate base with respect to prospective acquisitions. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, providing municipalities with a fair and objective purchase price that is reflective of the assets' value, while increasing a utility's assurance of recovering its investment over the life of the assets acquired. In addition, Senate Enrolled Act 362 was enacted in Indiana, which, similar to the Water Quality Accountability Act enacted in New Jersey in 2017, sets new operational standards and requirements for water and wastewater treatment plants in areas such as capital asset management, cost-benefit analysis and cybersecurity.

Tax Matters

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, and certain other provisions related specifically to the public utility industry, including continuation of interest expense deductibility, the exclusion from utilizing bonus depreciation and the normalization of deferred income tax. The enactment of the TCJA required a re-measurement of our deferred income taxes that materially impacted our 2017 results of operations and financial position. The portion of this re-measurement related to our Regulated Businesses was substantially offset by a regulatory liability, as we believe it is probable that the deferred income tax excesses created by the TCJA will benefit our regulated customers in future rates. The remaining portion of this re-measurement of the net deferred income tax liability was recorded as a non-cash charge to earnings during the fourth quarter of 2017.

During the first quarter of 2018, our fourteen regulatory jurisdictions have either opened separate proceedings to address the TCJA, or are planning to incorporate the impacts of the TCJA in existing proceedings, including in the state of New Jersey which, effective April 1, 2018, required all utilities to revise interim rates to reflect the new federal corporate income tax rate of 21%. We are working with each jurisdiction to determine the best approach to pass the benefits from the lower tax rate to our regulated customers, ideally through established ratemaking, tax and regulatory normalization provisions. For the normalization component of deferred taxes, we have proposed tracking mechanisms until the Company is able to obtain more clarity regarding: (i) the technical aspects of the methods available to compute the appropriate amount of deferred income tax excess to normalize, and (ii) the period over which the benefits will be refunded to customers, both of which are expected in 2019. To date, a few jurisdictions have agreed to our proposed delay.

On March 23, 2018, President Trump signed the Consolidated Appropriations Act of 2018 (the "Bill"). The Bill corrects and clarifies some aspects of the TCJA related to bonus depreciation eligibility. Specifically, property that was acquired, or the construction began prior to September 27, 2017, will be eligible for bonus depreciation. This clarification will allow the Company to benefit from additional bonus depreciation deductions resulting in a slight delay of when the Company expects to become a cash taxpayer for federal income tax purposes. We believe that we will likely begin paying federal income taxes towards the beginning of 2020, when we expect our federal NOL carryforwards will be fully realized, and expect to be a full cash taxpayer by 2021, although this timing could be impacted by any significant changes in our future results of operations and the outcome of regulatory proceedings regarding the TCJA.

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Consolidated Results of Operations

The following table presents our consolidated results of operations and the ensuing discussions explain the material variances related to the major components:

	For the Three Months Ended March 31,			
	2018	2017	Increase (Decrease)	
(In millions)				
Operating revenues	$ 761	$ 756	$ 5	0.7 %
Operating expenses:				
Operation and maintenance	347	334	13	3.9 %
Depreciation and amortization	129	124	5	4.0 %
General taxes	70	68	2	2.9 %
Gain on asset dispositions and purchases	(2)	—	(2)	100.0 %
Total operating expenses, net	544	526	18	3.4 %
Operating income	217	230	(13)	(5.7)%
Other income (expenses):				
Interest, net	(84)	(85)	1	(1.2)%
Non-operating benefit costs, net	3	(3)	6	(200.0)%
Other, net	4	3	1	33.3 %
Total other income (expenses)	(77)	(85)	8	(9.4)%
Income before income taxes	140	145	(5)	(3.4)%
Provision for income taxes	34	52	(18)	(34.6)%
Net income attributable to common stockholders	$ 106	$ 93	$ 13	14.0 %

Operating Revenues

For the three months ended March 31, 2018, operating revenues increased primarily due to a:

- $39 million increase in our Regulated Businesses principally due to authorized rate increases and increases from water and wastewater acquisitions, organic growth and higher water services demand; partially offset by a
- $32 million reserve on revenue earned by our Regulated Businesses during the first quarter of 2018, for the estimated income tax savings resulting from the TCJA, which is expected to benefit our customers (a corresponding regulatory liability was recorded); and a
- $3 million decrease in our Market-Based Businesses mainly due to lower capital upgrades in our Military Services Group, largely attributable to reduced military base budgets, offset in part by incremental revenues in Keystone Clearwater Solutions, LLC ("Keystone"), our water management solutions subsidiary operating in the Appalachian basin, from an increase in operations as a result of market recovery in the shale natural gas industry.

Operation and Maintenance

For the three months ended March 31, 2018, operation and maintenance expense increased primarily due to a:

- $19 million increase in our Regulated Businesses principally due to a higher volume of main breaks experienced in the first quarter of 2018, an increase in production costs and purchased water price and usage increases in our California subsidiary; partially offset by a

- $8 million decrease in our Market-Based Businesses mainly due to lower capital upgrades in our Military Services Group, as discussed above, and a decrease in claims expense in our Homeowner Services Group, driven by operational efficiencies gained through improved planning and relationship management of key contractor partnerships.

Depreciation and Amortization

For the three months ended March 31, 2018, depreciation and amortization expense increased primarily due to additional utility plant placed in service.

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Other Income (Expenses)

For the three months ended March 31, 2018, other income (expenses) decreased mainly due to a reduction in interest expense and actuarial losses related to the non-service cost components of pension and other post-retirement benefits expense. The presentation of net periodic benefit costs on the Consolidated Statements of Operations was changed pursuant the adoption and retrospective application of ASU 2017-07 on January 1, 2018. See Note 2—Significant Accounting Policies in the Notes to the Consolidated Financial Statements for additional information.

Provision for Income Taxes

For the three months ended March 31, 2018, our provision for income taxes decreased mainly due to the reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, resulting from the TCJA. In our Regulated Businesses, we expect the reduced tax rate will benefit our customers through established ratemaking, tax and regulatory normalization provisions. In our Military Services Group, we are awaiting guidance on how to apply the TCJA to our contracts with the U.S. government.

Segment Results of Operations

Our segments are determined based on how we assess performance and allocate our resources. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being net income attributable to common stockholders. The majority of our business is conducted through our Regulated Businesses reportable segment. We also operate several market-based businesses that provide a broad range of related and complementary water and wastewater services within four operating segments that individually do not meet the criteria of a reportable segment in accordance with GAAP. These four, non-reportable operating segments are collectively presented as our Market-Based Businesses, which is consistent with how management assesses the results of our businesses.

Regulated Businesses Segment

The following table summarizes certain financial information for our Regulated Businesses segment:

	For the Three Months Ended March 31,			
	2018	2017	Increase (Decrease)	
(In millions)				
Operating revenues	$ 666	$ 659	$ 7	1.1 %
Operation and maintenance	278	259	19	7.3 %
Depreciation and amortization	122	117	5	4.3 %
Income before income taxes	142	154	(12)	(7.8)%
Provision for income taxes	38	60	(22)	(36.7)%
Net income attributable to common stockholders	104	94	10	10.6 %

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Operating Revenues

The following tables summarize information regarding the main components of our Regulated Businesses' operating revenues and the ensuing discussions explain the material variances related to operating revenues:

	For the Three Months Ended March 31,			
	2018	2017	Increase (Decrease)	
(In millions)				
Water services:				
Residential	$ 368	$ 359	$ 9	2.5 %
Commercial	133	128	5	3.9 %
Industrial	31	32	(1)	(3.1)%
Public and other	80	80	—	— %
Total water services	612	599	13	2.2 %
Wastewater services	38	34	4	11.8 %
Other (a)	16	26	(10)	(38.5)%
Total operating revenues	$ 666	$ 659	$ 7	1.1 %

(a) Includes revenues from miscellaneous utility charges, alternative revenue programs and leases.

	For the Three Months Ended March 31,			
	2018	2017	Increase (Decrease)	
(Gallons in millions)				
Billed water services volumes:				
Residential	37,455	35,985	1,470	4.1%
Commercial	17,747	17,063	684	4.0%
Industrial	9,697	8,878	819	9.2%
Public and other	11,580	11,493	87	0.8%
Billed water services volumes	76,479	73,419	3,060	4.2%

For the three months ended March 31, 2018, operating revenues increased primarily due to a:

- $22 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment growth in various states;
- $8 million increase attributable to water and wastewater acquisitions, as well as organic growth in existing systems;
- $4 million increase due to higher water services demand as compared to the same period in 2017; and a
- $2 million increase from surcharges and other adjustments, primarily in our California subsidiary; partially offset by a
- $32 million reserve on revenue earned in first quarter of 2018, for the estimated income tax savings resulting from the TCJA, which is expected to benefit our customers (a corresponding regulatory liability was recorded).

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Operation and Maintenance

The following table summarizes information regarding the components of our Regulated Businesses' operation and maintenance expense, and the ensuing discussions provide an explanation for the variances related to operation and maintenance expense:

	For the Three Months Ended March 31,			
	2018	2017	Increase (Decrease)	
(In millions)				
Production costs	$ 69	$ 63	$ 6	9.5%
Employee-related costs	117	108	9	8.3%
Operating supplies and services	48	48	—	—%
Maintenance materials and supplies	22	18	4	22.2%
Customer billing and accounting	10	10	—	—%
Other	12	12	—	—%
Total	$ 278	$ 259	$ 19	7.3%

For the three months ended March 31, 2018, operation and maintenance expense increased primarily due to a:

- $6 million increase in production costs principally due to purchased water price and usage increases in our California subsidiary, along with an increase in chemical costs;
- $9 million increase in employee-related costs mainly due to higher medical claims experienced in the first quarter of 2018, as well as an increase in overtime related a higher volume of main breaks during the first quarter of 2018 as a result of the harshly frigid weather in the Midwest, Northeast and parts of the Mid-Atlantic, and an increase in headcount, mainly from acquisitions; and a
- $4 million increase in maintenance materials and supplies largely attributable to the higher volume of main breaks and paving expense in the first quarter of 2018, driven by the colder weather experienced.

Depreciation and Amortization

For the three months ended March 31, 2018, depreciation and amortization increased primarily due to additional utility plant placed in service.

Provision for Income Taxes

For the three months ended March 31, 2018, our provision for income taxes decreased mainly due to the reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, resulting from the TCJA. We expect the reduced tax rate will benefit our customers through established ratemaking, tax and regulatory normalization provisions.

Market-Based Businesses

The following table summarizes certain financial information for our Market-Based Businesses and the ensuing discussions explain the material variances related to the major components:

	For the Three Months Ended March 31,

	2018	2017	Increase (Decrease)	
(In millions)				
Operating revenues	$ 100	$ 103	$ (3)	(2.9)%
Operation and maintenance	80	88	(8)	(9.1)%
Income before income taxes	16	10	6	60.0 %
Provision for income taxes	4	3	1	33.3 %
Net income attributable to common stockholders	12	7	5	71.4 %

Operating Revenues

For the three months ended March 31, 2018, operating revenues decreased primarily due to a:

- $7 million decrease in our Military Services Group principally due to lower capital upgrades in the first quarter of 2018, largely driven by reduced military base budgets; partially offset by a

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- $4 million increase in Keystone largely attributable to an increase in operations as a result of market recovery in the shale natural gas industry.

Operation and Maintenance

For the three months ended March 31, 2018, operation and maintenance expense decreased primarily due to a:

- $6 million decrease in our Military Services Group principally due to lower capital upgrades in the first quarter of 2018, as discussed above; and a
- $5 million decrease in our Homeowners Services group largely attributable to lower claims expense, driven by operational efficiencies gained through improved planning and relationship management of key contractor partnerships; partially offset by a
- $3 million increase in Keystone mainly due to an increase in operations, as discussed above.

Income Before Income Taxes

For the three months ended March 31, 2018, income before income taxes increased primarily due to $5 million of growth in our Homeowners Services group, largely attributable to a decrease in claims expense, as discussed above.

Liquidity and Capital Resources

For a general overview of our sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources contained in our Form 10-K.

We fund liquidity needs for capital investment, working capital and other financial commitments through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowing under the American Water Capital Corp. ("AWCC") revolving credit facility. On March 21, 2018, AWCC and certain lenders amended and restated the credit agreement with respect to AWCC's revolving credit facility to increase the maximum commitments under the facility to $2.25 billion from $1.75 billion and to extend the expiration date of the facility to March 2023 from June 2020. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods. We regularly evaluate the capital markets and closely monitor the financial condition of the financial institutions with contractual commitments in our revolving credit facility.

In order to meet our short-term liquidity needs, we, through AWCC, our wholly owned financing subsidiary, issue commercial paper, which is supported by our revolving credit facility. On March 21, 2018, AWCC increased the maximum aggregate principal amount of short-term commercial paper notes authorized for issuance under its commercial paper program from $1.60 billion to $2.10 billion. As of March 31, 2018, AWCC had no outstanding borrowings and $87 million of outstanding letters of credit under the revolving credit facility, with $2.16 billion available to fulfill our short-term liquidity needs and to issue letters of credit. As of March 31, 2018, the revolving credit facility supported $1.18 billion in outstanding commercial paper. We believe that our ability to access the capital markets, our revolving credit facility and our cash flows from operations will generate sufficient cash to fund our short-term requirements. However, we can provide no assurances that the lenders will meet their existing commitments to AWCC under the credit facility or that we will be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all.

The Company has two forward starting swap agreements, each with notional amounts of $100 million, to reduce interest rate exposure on debt expected to be issued in 2018. These forward starting swap agreements terminate in November 2018 and have an average fixed rate of 2.59%. We have designated these forward starting swap agreements as cash flow hedges with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt. See Note 7—Long-Term Debt and Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for further information.

Additionally, on April 11, 2018, we effected an equity forward transaction by entering into forward sale agreements in connection with a public offering of 2,320,000 shares of our common stock. Except under limited circumstances, we have the right under the forward sale agreements to elect physical, net share or cash settlement in whole or in part. If we decide to physically settle a forward sale agreement, we will issue shares of our common stock at the then-applicable forward sale price. The forward sale price is initially $79.36 per share and is subject to adjustment as provided in each forward sale agreement. We must settle the forward sale agreements in full on or before April 11, 2019.

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We did not receive any proceeds from this public offering. We intend to elect full physical settlement of the forward sale agreements by delivering 2,320,000 shares of our common stock if the Acquisition is completed. In that case, assuming a forward sale price of $79.36 per share, we expect to receive net proceeds of approximately $184 million. The net proceeds of the equity forward transaction are intended to be used to finance a portion of the purchase price of the Acquisition. See Note 15—Subsequent Events in the Notes to the Consolidated Financial Statements for additional information.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the third quarter of each fiscal year. The following table provides a summary of the major items affecting cash flows provided by our operating activities:

	For the Three Months Ended March 31,	
	2018	2017
(In millions)		
Net income	$ 106	$ 93
Add (less):		
Depreciation and amortization	129	124
Deferred income taxes and amortization of investment tax credits	33	64
Other non-cash activities (a)	(1)	1
Changes in working capital (b)	(48)	6
Pension and post-retirement healthcare contributions	—	(11)
Net cash flows provided by operations	$ 219	$ 277

(a) Includes provision for losses on accounts receivable, gain on asset dispositions and purchases, pension and non-pension post-retirement benefits expense and other non-cash, net. Details of each component can be found in the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net.

For the three months ended March 31, 2018, cash flows from operating activities decreased $58 million compared to the same period in 2017, primarily due to the change in working capital and change in deferred income taxes, partially offset by the increase in net income after non-cash adjustments. The change in working capital was primarily the result of the following: (i) a decrease in unbilled revenues as a result of our Military Services Group achieving significant capital project milestones at the end of 2017; and (ii) a change in the timing of interest payments associated with the debt offering we entered in to during the third quarter of 2017. The change in deferred income taxes is primarily the result of the impact of the change in the federal income tax rate on the Company's deferred income taxes from the enactment of the TCJA. Partially offsetting these decreases is the increase in net income. The main factors contributing to the net income increase are described in this section under "Consolidated Results of Operations" and included higher operating revenue and a lower provision for income taxes.

Cash Flows Used in Investing Activities

The following table provides information regarding cash flows used in our investing activities:

	For the Three Months Ended March 31,	
	2018	2017
(In millions)		

Net capital expenditures	$ (364)	$ (270)
Acquisitions	(8)	(2)
Other investing activities, net (a)	(14)	(13)
Net cash flows used in investing activities	$ (386)	$ (285)

(a) Includes removal costs from property, plant and equipment retirements, net, and proceeds from sale of assets and securities.

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For the three months ended March 31, 2018, cash used in investing activities increased primarily due to continued investment across all infrastructure categories, mainly replacement and renewal of transmission and distribution infrastructure in our Regulated Businesses, and increased cash used for acquisitions. We expect investments in the range of $1.9 billion to $2.1 billion in 2018 for capital expenditures and acquisitions, including the $365 million acquisition of Pivotal, expected to close in the second quarter of 2018. Construction of our new corporate headquarters building in Camden, New Jersey is underway, and is expected to be completed by the end of 2018. The cost of construction is currently estimated to be up to $164 million, exclusive of any tax incentives, of which $76 million is expected to be incurred in 2018. During the three months ended March 31, 2018, we spent approximately $22 million towards this construction.

Cash Flows Provided by Financing Activities

The following table provides information regarding cash flows provided by our financing activities:

	For the Three Months Ended March 31,	
	2018	2017
(In millions)		
Proceeds from long-term debt	$ 10	$ —
Repayments of long-term debt	(6)	(4)
Net proceeds from short-term borrowings	278	131
Dividends paid	(74)	(67)
Anti-dilutive stock repurchases	(45)	(54)
Other financing activities, net (a)	3	8
Net cash flows provided by financing activities	$ 166	$ 14

(a) Includes proceeds from issuances of common stock under various employee stock plans and our dividend reinvestment plan, advances and contributions for construction, net of refunds, and taxes paid related to employee stock plans.

For the three months ended March 31, 2018, the increase in cash flows provided by financing activities, as compared to the same period in 2017, is primarily due to the increase in proceeds from short-term borrowings to fund a portion of the capital expenditures and general working capital needs.

Credit Facilities and Short-Term Debt

The following table summarizes information regarding our aggregate credit facility commitments, letter of credit sub-limits and available funds under those revolving credit facilities, as well as outstanding amounts of commercial paper and outstanding borrowings under the respective facilities as of March 31, 2018:

	Credit Facilities Commitment (a)	Available Credit Facility Capacity (a)	Letter of Credit Sublimit	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
(In millions)						
March 31, 2018	$ 2,262	$ 2,172	$ 150	$ 63	$ 2,100	$ 917

(a) Includes amounts related to the revolving credit facility of Keystone. As of March 31, 2018, the total commitment under the Keystone revolving credit facility was $12 million, of which $9 million was available for borrowing, subject to compliance with a collateral base calculation. At March 31, 2018, there were no outstanding borrowings under this credit facility.

The weighted-average interest rate on AWCC short-term borrowings for three months ended March 31, 2018 and 2017 was approximately 1.88% and 1.02%, respectively.

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Capital Structure

The following table indicates the percentage of our capitalization represented by the components of our capital structure as of the dates set forth below:

	March 31, 2018	December 31, 2017
Total common stockholders' equity	40.5%	41.0%
Long-term debt and redeemable preferred stock at redemption value	47.6%	49.6%
Short-term debt and current portion of long-term debt	11.9%	9.4%
	100%	100%

Debt Covenants

Our debt agreements contain financial and non-financial covenants. To the extent that we are not in compliance with these covenants, an event of default may occur under one or more debt agreements and we or our subsidiaries may be restricted in our ability to pay dividends, issue new debt or access our revolving credit facility. Our long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Our failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require us to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On March 31, 2018, our ratio was 0.59 to 1.00 and therefore we were in compliance with the covenants.

Security Ratings

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

The following table presents our long-term and short-term credit rating and rating outlook as of March 31, 2018:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating Outlook	Negative	Stable
Senior unsecured debt	A3	A
Commercial paper	P-2	A-1

On January 19, 2018, Moody's Investors Service changed the rating outlooks to negative, from stable, for 24 regulated utilities and utility holding companies, including the Company, all of which were primarily impacted by the enactment of the TCJA. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon our ability to generate cash flows in an amount sufficient to service our debt and meet our investment plans. We can provide no assurances that our ability to generate cash flows is sufficient to maintain our existing ratings. None of our borrowings are subject to default or prepayment as a result of the

downgrading of these security ratings, although such a downgrading could increase fees and interest charges under our credit facility.

Dividends

On March 1, 2018, we paid a cash dividend of $0.415 per share to our stockholders of record as of February 7, 2018.

On April 20, 2018, our Board of Directors declared a quarterly cash dividend payment of $0.455 per share payable on June 1, 2018 to stockholders of record as of May 11, 2018. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends in our Form 10-K for more information regarding restrictions on the payment of dividends on our common stock.

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Application of Critical Accounting Policies and Estimates

Our financial condition, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in our Form 10-K for a discussion of our critical accounting policies. Additionally, see Note 2—Significant Accounting Policies and Note 3—Revenue Recognition in the Notes to the Consolidated Financial Statements for updates to our significant accounting policies previously disclosed in our Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. There have been no significant changes to our exposure to market risk since December 31, 2017. For a discussion of our exposure to market risk, refer to Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk contained in our Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Our management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2018.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2018, our disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

We concluded that there have been no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act).

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in our Form 10-K in Part I, Item 3—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in our Form 10-K.

Alternative Water Supply in Lieu of Carmel River Diversions

The 2009 Order includes a condition prohibiting California-American Water Company, our wholly owned subsidiary ("Cal Am"), from diverting water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. In 2011, the California Public Utilities Commission (the "CPUC") issued a decision directing modifications in Cal Am's tariffs to recognize the moratorium mandated by the 2009 Order, and directing Cal Am to seek written guidance from the SWRCB with respect to any unresolved issues of interpretation or implementation of this condition. In 2012, the Deputy Director of the California State Water Resources Control Board (the "SWRCB") sent a letter to Cal Am providing an interpretation about calculation of a baseline to determine increases in use of water at existing service addresses. On March 19, 2018, the Monterey Peninsula Water Management District ("MPWMD") adopted a resolution directing Cal Am to interpret the baseline in a manner that conflicts with the SWRCB's written interpretation. Cal Am is seeking to meet with MPWMD and the SWRCB to resolve these conflicting interpretations. However, any failure to follow MPWMD's resolution or the SWRCB's written interpretation, despite this conflict, could potentially result in fines, penalties and other actions against Cal Am.

Regional Desalination Project Litigation

On December 21, 2017, RMC Water and Environmental ("RMC"), a private engineering consulting firm, filed a motion for summary judgment in the consolidated action associated with the failure of the RDP, and a hearing on the motion has been scheduled for June 7, 2018. In light of the court's February 5, 2018 order dismissing Cal Am's tort law claims against Marina Coast Water District ("MCWD"), Cal Am and Monterey County Water Resources Agency ("MCWRA") filed an amended complaint on February 19, 2018 amending their breach of contract claims. On April 25, 2018, the court overruled a motion filed by MCWD to dismiss the amended complaint. On April 6, 2018, Cal Am and MCWRA filed a writ petition with the California Court of Appeal challenging the trial court's February 5, 2018 order, which MCWD opposed in an April 25, 2018 filing. Trial in the consolidated action has been set for October 9, 2018 in San Francisco County Superior Court.

Monterey Peninsula Water Supply Project

On March 30, 2018, the CPUC and the Monterey Bay National Marine Sanctuary jointly published a final Environmental Impact Report/Environmental Impact Statement. In the EIR/EIS, the CPUC identified Cal Am's smaller plant size of 6.4 mgd as the environmentally superior alternative among those discussed in the report. The final EIR/EIS will now be reviewed by the assigned CPUC administrative law judges, who will submit a proposed decision on the EIR/EIS and Cal Am's request for a certificate of public convenience and necessity ("CPCN") for the Water Supply Project, which is discussed below, following the submission of closing briefs. Cal Am's opening brief was submitted on April 19, 2018 and its closing brief is due by May 3, 2018.

The CPUC held hearings in October and November 2017 on Cal Am's request for a CPCN for the Water Supply Project. This request remains pending. On January 9, 2018, a number of parties to the CPUC proceeding filed a motion for additional hearings on the possible expansion of the GWR Project and sale of water by MCWD to Cal Am. Cal Am opposed the motion because it believes that the requested hearings could delay the CPUC's issuance of a decision regarding the Water Supply Project. The motion remains pending.

On February 28, 2018, Cal Am and MCWD entered into a settlement agreement under which MCWD agreed to dismiss without prejudice its January 2015 complaint against the State Lands Commission and Cal Am.

On March 13, 2018, Cal Am filed a motion to dismiss MCWD's January 12, 2018 appeal of the Santa Cruz Superior Court's judgment in favor of Cal Am on MCWD's remaining claims regarding the amendment by the Coastal Commission of its permits related to the test slant well project. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's coastal development permits.

Based on the foregoing, including the information contained in our Form 10-K with respect to the Water Supply Project (other than as updated in this Form 10-Q), Cal Am estimates that the earliest date by which the Water Supply Project desalination plant could be completed is sometime in 2021. There can be no assurance that Cal Am's application for the Water Supply Project will be approved or that the Water Supply Project will be completed on a timely basis, if ever. Furthermore, there can be no assurance that Cal Am will be able to comply with the diversion reduction requirements and other remaining requirements under the 2009 Order and the 2016 Order, or that any such compliance will not result in material additional costs or obligations to Cal Am or the Company.

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California Public Utilities Commission Residential Rate Design Proceeding

On April 9, 2018, the CPUC issued a Presiding Officer's Decision ("POD") granting the motion for adoption of the Joint Settlement Agreement to resolve the CPUC's residential tariff administration proceeding. The POD provides for a waiver by Cal Am of $0.5 million of cost recovery for residential customers through the WRAM/MCBA in lieu of a penalty. The POD found that Cal Am's administration of the residential tariff did not violate the California Public Utilities Code or a CPUC decision, which was a significant departure from the administrative law judge's ruling on March 28, 2017. The POD essentially reverses the CPUC's position expressed in the earlier ruling. Any party or any CPUC commissioner may file an appeal of the POD by May 9, 2018. If no appeal is filed, the decision will become final.

West Virginia Elk River Freedom Industries Chemical Spill

Preliminary Approval of West Virginia-American Water Company Global Class Action Litigation Settlement

The court in the Federal action has currently postponed a trial indefinitely in light of the preliminary approval of the Settlement and the global settlement agreement described in Note 11—Commitments and Contingencies, in the Notes to the Consolidated Financial Statements, and West Virginia's Mass Litigation Panel has further stayed its proceedings until July 27, 2018.

Other Related Proceedings

On March 5, 2018, the Mass Litigation Panel entered an order denying the motion by the Lincoln County (West Virginia) Commission (the "LCC") to lift the stay imposed by the Mass Litigation Panel as to the LCC's complaint and further denying remand of the case.

On March 5, 2018, based on information the Company provided to the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the CSB closed its investigation with a status of "acceptable action," which refers to the Company's actions on all three parts of the CSB's recommendation.

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ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in our Form 10-K, and in our other public filings, which could materially affect our business, financial condition or future results. Other than as set forth below, there have been no material changes from risk factors previously disclosed in Part I, Item 1A—Risk Factors in our Form 10-K.

Settlement provisions contained in our forward sale agreements subject us to risks if certain events occur, which could have an effect on our results of operations and liquidity, and could cause the price of our common stock to decline.

On April 11, 2018, we entered into a forward sale agreement with an affiliate of JPMorgan Chase Bank, National Association and a forward sale agreement with Wells Fargo National Bank, National Association, each as forward purchasers, relating to an aggregate of 2,320,000 shares of our common stock. Each forward purchaser under a forward sale agreement will have the right to accelerate its forward sale agreement and require us to physically settle its forward sale agreement on a date specified by such forward purchaser if:

- in its sole judgment, it or its affiliate is unable to borrow a number of shares of the Company's common stock equal to the number of shares to be delivered by us upon physical settlement of its forward sale agreement or it or its affiliate is unable to borrow such number of shares at a rate equal to or less than an agreed maximum stock loan rate;
- we declare any dividend or distribution on shares of our common stock (other than an extraordinary dividend) payable in (i) cash in excess of the specified amount, (ii) securities of another company, or (iii) any other type of securities (other than our common stock), rights, warrants or other assets for payment at less than the prevailing market price, as determined by such forward purchaser;
- certain ownership thresholds applicable to such forward purchaser are exceeded;
- an event (other than the Acquisition) is announced that, if consummated, would result in an extraordinary event (as defined in the forward sale agreements), including, among other things, certain mergers and tender offers, as well as certain events such as delisting of our common stock; or
- certain other events of default or termination events described in the forward sale agreements occur.

A forward purchaser's decision to exercise its right to require us to settle a forward sale agreement early will be made irrespective our interests, including our need for capital. In such cases, we could be required to issue and deliver shares of our common stock under the terms of the physical settlement provisions of a forward sale agreement irrespective of our capital needs, which would result in dilution to our earnings per share. In addition, upon certain events of bankruptcy, insolvency, or reorganization relating to us, each forward sale agreement will terminate without further liability of either party. Following any such termination, we would not issue any shares and we would not receive any proceeds pursuant to the forward sale agreements.

Each forward sale agreement provides for settlement on a settlement date or dates to be specified in our discretion on or prior to April 11, 2019. Each forward sale agreement will be physically settled, unless we elect to settle such forward sale agreement in cash or to net share settle such forward sale agreement. If we decide to physically settle or net share settle a forward sale agreement, delivery of our shares on any physical settlement or net share settlement of the forward sale agreement will result in dilution to our earnings per share. If we elect cash settlement for all or a portion of the shares of common stock included in a forward sale agreement, we would expect each forward purchaser or one of its affiliates to repurchase a number of shares equal to the portion for which we elect cash settlement in order to cover our obligation to return the shares of our common stock such forward purchaser had borrowed in connection with our April 2018 public offering of our common stock.

The forward sale price that we expect to receive is subject to adjustment on a daily basis based on a floating interest rate factor equal to the federal funds rate less a spread and will be decreased based on amounts related to expected dividends on shares of our common stock during the term of each forward sale agreement. If the federal funds rate is less than the spread on any day, the interest factor will result in a reduction of the forward sale price for such day. If the market value of our common stock at the time of the repurchase is greater than the forward sale price, in the case of cash settlement and net share settlement, we would pay each forward purchaser under its forward sale agreement an amount in cash or shares (as the case may be) equal to the difference, which amount could be potentially substantial.

In addition, the purchase of our common stock by a forward purchaser or its affiliate to unwind such forward purchaser's hedge position could cause the price of our common stock to increase over time, thereby increasing the amount of cash or shares we would owe to a forward purchaser upon a cash settlement or net share settlement of its forward sale agreement, or decreasing the amount of cash or shares that a forward purchaser owes us upon cash settlement or net share settlement of its forward settlement agreement, as the case may be.

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Our stockholders may experience dilution as a result of the issuance of shares upon physical or net share settlement of the forward sale agreements, which may impact our earnings per share and the book value and fair value of our common stock.

Our issuance of common stock pursuant to a forward sale agreement upon physical settlement or net share settlement thereof will have a dilutive effect on our earnings per share. Any additional future issuances of our common stock will reduce the percentage of our common stock owned by investors who do not participate in future issuances. Stockholders will not be entitled to vote on our issuance of additional common stock. In addition, our stockholders may experience dilution in both the book value and fair value of their shares.

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

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The following table provides a summary of information about the shares of common stock purchased by the Company during the three months ended March 31, 2018:

	Total Number of Shares Purchased	Average Price per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares Available to be Purchased Under the Plan or Program
January 1 - January 31, 2018	—	—	—	6,050,000
February 1 - February 28, 2018	—	—	—	6,050,000
March 1 - March 31, 2018	560,000	$ 79.75	560,000	5,490,000
	560,000	$ 79.75	560,000	

(a) Average price paid per share includes brokerage fees and commissions incurred by the Company in connection with these repurchases.

(b) From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through March 31, 2018, the Company repurchased an aggregate of 4,510,000 shares of common stock under the program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
10.1	Second Amended and Restated Credit Agreement, dated as of March 21, 2018, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed March 21, 2018).
10.2.1	Amended and Restated Letter Agreement between Loyd Warnock and American Water Works Company, Inc. dated May 7, 2014 (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
*10.2.2	Amendment, dated April 25, 2018, to Amended and Restated Letter Agreement between Loyd Warnock and American Water Works Company, Inc.
*10.3	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant.
*10.4	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (for certain executives).
*10.5	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (for Chief Executive Officer, Chief Financial Officer and Chief Operating Officer).
*10.6	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (for Loyd A. Warnock).
*10.7	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1.
*10.8	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-2.
*10.9	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-3.
*10.10	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A (for Loyd A. Warnock).
*10.11	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1.
*10.12	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-2.
*10.13	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-3.
*10.14	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B (for Loyd A. Warnock).
*31.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.

*101	The following financial statements from American Water Works Company, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018, filed with the Securities and Exchange Commission on May 2, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Stockholders' Equity; and (vi) the Notes to Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 2nd day of May, 2018.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief
Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

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Section 2: EX-10.3 (EXHIBIT 10.3)

Exhibit 10.3

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 14, 2018 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan ("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2018 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

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

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

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

3. Vesting.

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

Service Date	Units Vesting
January 1, 2019	1/3
January 1, 2020	1/3
January 1, 2021	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 1, 2021, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraph (c) below, if at any time prior to January 1, 2021, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If at any time prior to January 1, 2021, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined below), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this

Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the

avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan.

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

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

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(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

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

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

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

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

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Section 3: EX-10.4 (EXHIBIT 10.4)

Exhibit 10.4

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 14, 2018 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan ("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively,

the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2018 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

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

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

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

3. Vesting.

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

Service Date	Units Vesting
January 1, 2019	1/3
January 1, 2020	1/3
January 1, 2021	1/3

(b) The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 1, 2021, if the Participant is employed by, or providing service to, the Employer on such date.

(c) Subject to subparagraph (d) below, if at any time prior to January 1, 2021, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(d) If, on or after January 1, 2019, but prior to January 1, 2021, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth is subparagraph 3 (a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty-two (62) and five (5) total years of employment or service with the Employer and (ii) "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(e) If at any time prior to January 1, 2021, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants

of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(d)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3 (a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraph 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the

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new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant by the Committee, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from

time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

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Section 4: EX-10.5 (EXHIBIT 10.5)

Exhibit 10.5

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 14, 2018 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan ("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2018 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

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

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

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

3. Vesting.

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

Service Date	Units Vesting
January 1, 2019	1/3
January 1, 2020	1/3
January 1, 2021	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 1, 2021, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraphs (c), (d), and (e) below, if at any time prior to January 1, 2021, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If prior to January 1, 2021, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth in subparagraph 3(a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof and (ii) "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) If prior to January 1, 2021, the Participant's employment or service with the Employer terminates on account of Early Retirement (as defined below), then 75% of the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of

Early Retirement in accordance with the schedule set forth in subparagraph 3(a) and the remaining 25% of the portion of the Restricted Stock Units that have not vested as of the Participant's Early Retirement shall be immediately forfeited. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof

(e) If at any time prior to January 1, 2021, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(c)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraphs 3(c) or 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement or Early Retirement, the Redemption Date for such

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vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

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

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

7. Change of Control. Except as set forth in subparagraph 3(e) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it

deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may

be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to

carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

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

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

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

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

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption

of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

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

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

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

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Section 5: EX-10.6 (EXHIBIT 10.6)

Exhibit 10.6

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 14, 2018 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to Loyd A. Warnock (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan ("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively,

the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2018 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

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

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant 1,628 units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

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

3. Vesting.

(a) Except as provided in subparagraph (c) below, the Restricted Stock Units shall vest on January 1, 2021 (the "Service Date"), provided the Participant continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the Service Date.

(b) Subject to subparagraph (c) below, if at any time prior to January 1, 2021, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If at any time prior to January 1, 2021, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined below), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan.

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of

the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption

Date, the Participant must complete the deferral election form provided to the Participant by the Committee, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

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

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

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

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect

deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no

event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

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

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

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Section 6: EX-10.7 (EXHIBIT 10.7)

Exhibit 10.7

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2018, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan ("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2018 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

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

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

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

of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

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

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

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

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

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2017, and December 31, 2020, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the

Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend

adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

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

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

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3) -year period beginning on January 1, 2018 and ending December 31, 2020, and the term "Peer Group" shall mean those companies included in Exhibit A as of January 1, 2018. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company

shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(e), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2020, but prior to January 1, 2021; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2021. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 1, 2019 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2021 (the "Distribution Date"), (b) the Change of Control

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Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2018 LTPP, complete the deferral election form provided to the Participant by the Committee and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the

event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time)regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies

and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of

the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. Centerpoint Energy
5. CMS Energy Corporation
6. Eversource Energy
7. MDU Resources Group
8. NiSource, Inc.
9. OG&E Energy Corporation
10. Pinnacle West Capital Corporation
11. PPL Corporation
12. SCANA Corporation
13. UGI Corporation
14. Westar/Great Plains Energy Inc. Entity*
15. Wisconsin Energy Corporation

* Westar/Great Plains acquisition is expected to close in 2018. Until it closes, both companies will be considered part of Peer Group Companies. Post-closing, the combined Westar/Great Plains Energy Inc. entity will then be considered part of Peer Group Companies.

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Section 7: EX-10.8 (EXHIBIT 10.8)

Exhibit 10.8

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2018, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan ("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2018 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

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

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

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

of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

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

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

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

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

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2017, and December 31, 2020, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend

distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

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

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

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(d) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3) -year period beginning on January 1, 2018 and ending December 31, 2020, and the term "Peer Group" shall mean those companies included in Exhibit A as of January 1, 2018. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(e), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2020, but prior to January 1, 2021; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2021. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty-two (62) and five (5) total years of employment or service with the Employer.

(c) If at any time prior to the earlier of January 1, 2019 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(d) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her

employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2021 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2018 LTPP, complete the deferral election form provided to the Participant by the Committee and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time)regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining,

mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading

and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant

and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by

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

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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. Centerpoint Energy
5. CMS Energy Corporation
6. Eversource Energy
7. MDU Resources Group
8. NiSource, Inc.
9. OG&E Energy Corporation
10. Pinnacle West Capital Corporation
11. PPL Corporation
12. SCANA Corporation
13. UGI Corporation
14. Westar/Great Plains Energy Inc. Entity*
15. Wisconsin Energy Corporation

* Westar/Great Plains acquisition is expected to close in 2018. Until it closes, both companies will be considered part of Peer Group Companies. Post-closing, the combined Westar/Great Plains Energy Inc. entity will then be considered part of Peer Group Companies.

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Section 8: EX-10.9 (EXHIBIT 10.9)

Exhibit 10.9

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2018, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan ("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2018 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

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

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

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

of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

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

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

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

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

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2017, and December 31, 2020, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price

by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

TSR = (Dividend Adjusted Ending Stock Price – Dividend Adjusted Initial Stock Price)
Dividend Adjusted Initial Stock Price

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

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3) -year period beginning on January 1, 2018 and ending December 31, 2020, and the term "Peer Group" shall mean those companies included in Exhibit A as of January 1, 2018. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(e), 4(b), or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant

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ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2020, but prior to January 1, 2021; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2021. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer of any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 1, 2019 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2021 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2018 LTPP, complete the deferral election form provided to the Participant by the Committee and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires

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to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or

another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to

the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States

Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. Centerpoint Energy
5. CMS Energy Corporation
6. Eversource Energy
7. MDU Resources Group
8. NiSource, Inc.
9. OG&E Energy Corporation
10. Pinnacle West Capital Corporation
11. PPL Corporation
12. SCANA Corporation
13. UGI Corporation
14. Westar/Great Plains Energy Inc. Entity*
15. Wisconsin Energy Corporation

* Westar/Great Plains acquisition is expected to close in 2018. Until it closes, both companies will be considered part of Peer Group Companies. Post-closing, the combined Westar/Great Plains Energy Inc. entity will then be considered part of Peer Group Companies.

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Section 9: EX-10.10 (EXHIBIT 10.10)

Exhibit 10.10

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2018, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to Loyd A. Warnock (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan ("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2018 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

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

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant 2,021 performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

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

of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

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

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

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

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

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2017, and December 31, 2020, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for

all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

TSR = (Dividend Adjusted Ending Stock Price – Dividend Adjusted Initial Stock Price)
Dividend Adjusted Initial Stock Price

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

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2018 and ending December 31, 2020, and the term "Peer Group" shall mean those companies included in Exhibit A as of January 1, 2018. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

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(a) Except as set forth in Paragraph 3(e), unless the Participant's employment or service with the Employer terminates before January 1, 2021, the Participant will vest in the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 1, 2021 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2021 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution

Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant

must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2018 LTPP, complete the deferral election form provided to the Participant by the Committee and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York

Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time)regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company,

and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall

be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. Centerpoint Energy
5. CMS Energy Corporation
6. Eversource Energy
7. MDU Resources Group
8. NiSource, Inc.
9. OG&E Energy Corporation
10. Pinnacle West Capital Corporation
11. PPL Corporation
12. SCANA Corporation
13. UGI Corporation
14. Westar/Great Plains Energy Inc. Entity*
15. Wisconsin Energy Corporation

* Westar/Great Plains acquisition is expected to close in 2018. Until it closes, both companies will be considered part of Peer Group Companies. Post-closing, the combined Westar/Great Plains Energy Inc. entity will then be considered part of Peer Group Companies.

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Section 10: EX-10.11 (EXHIBIT 10.11)

Exhibit 10.11

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2018 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan ("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2018 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

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

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

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

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

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

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2018 and ending December 31, 2020.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2020, but prior to January 1, 2021; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2021. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 1, 2019 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2021 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any

Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2018 LTPP, complete the deferral election form provided to the Participant by the Committee, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend, equivalents will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to

carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

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

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

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

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

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's

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discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or

unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $3.03 for the year ended December 31, 2017. The ending point for the calculation will be EPS for the year ended December 31, 2020, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
12.0% or more	200%
10.0%	175%
7.84%	100%
6.0%	25%
<= 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2017 Adjusted	12/31/2020 Illustration
Adjusted diluted earnings per share from continuing operations	$ 3.03	$ 3.27
Compounded EPS growth		**7.92%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	7.92%	102.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,025 Performance Units (1,000 x 1.025), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

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Section 11: EX-10.12 (EXHIBIT 10.12)

Exhibit 10.12

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2018 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan

("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2018 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

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

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

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

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

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

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(d) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2018 and ending December 31, 2020.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2020, but prior to January 1, 2021; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2021. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty-two (62) and five (5) total years of employment or service with the Employer.

(c) If at any time prior to the earlier of January 1, 2019 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(d) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her

employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2021 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2018 LTPP, complete the deferral election form provided to the Participant by the Committee, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend, equivalents will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including

without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

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

[*SIGNATURE PAGE FOLLOWS*]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $3.03 for the year ended December 31, 2017. The ending point for the calculation will be EPS for the year ended December 31, 2020, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
12.0% or more	200%
10.0%	175%
7.84%	100%
6.0%	25%
<= 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2017 Adjusted	12/31/2020 Illustration
Adjusted diluted earnings per share from continuing operations	$ 3.03	$ 3.27
Compounded EPS growth		**7.92%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	7.92%	102.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,025 Performance Units (1,000 x 1.025), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

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Section 12: EX-10.13 (EXHIBIT 10.13)

Exhibit 10.13

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2018 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan ("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2018 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

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

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

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

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

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

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2018 and ending December 31, 2020.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2020, but prior to January 1, 2021; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2021. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, of any combination thereof

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination

of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment

or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 1, 2019 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2021 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a

subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents,

earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2018 LTPP, complete the deferral election form provided to the Participant by the Committee, and return such form to the Company in the manner and by the deadline provided therein . If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the

condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as

amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall

be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

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19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

[*SIGNATURE PAGE FOLLOWS*]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $3.03 for the year ended December 31, 2017. The ending point for the calculation will be EPS for the year ended December 31, 2020, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
12.0% or more	200%
10.0%	175%
7.84%	100%
6.0%	25%
<= 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting

with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2017 Adjusted	12/31/2020 Illustration
Adjusted diluted earnings per share from continuing operations	$ 3.03	$ 3.27
Compounded EPS growth		**7.92%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	7.92%	102.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,025 Performance Units (1,000 x 1.025), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

Section 13: EX-10.14 (EXHIBIT 10.14)

Exhibit 10.14

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN

PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2018 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to Loyd A. Warnock (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2018 Long Term Performance Plan ("2018 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2018 LTPP and to grant the Participant an Equity Award under the 2018 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2018 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

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

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant 1,899 performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

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

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

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

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2018 and ending December 31, 2020.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), unless the Participant's employment or service with the Employer terminates before January 1, 2021, the Participant will vest in the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 1, 2021 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2021 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant

must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2018 LTPP, complete the deferral election form provided to the Participant by the Committee, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend, equivalents will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock

Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the

authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

[*SIGNATURE PAGE FOLLOWS*]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story

/s/ SUSAN N. STORY

Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $3.03 for the year ended December 31, 2017. The ending point for the calculation will be EPS for the year ended December 31, 2020, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
12.0% or more	200%
10.0%	175%
7.84%	100%
6.0%	25%
<= 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2017 Adjusted	12/31/2020 Illustration
Adjusted diluted earnings per share from continuing operations	$ 3.03	$ 3.27
Compounded EPS growth		**7.92%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	7.92%	102.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,025 Performance Units (1,000 x 1.025), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

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Section 14: EX-10.2.2 (EXHIBIT 10.2.2)

Exhibit 10.2.2

[LETTERHEAD OF AMERICAN WATER]

1025 Laurel Oak Road
Voorhees, NJ 08043

February 15, 2018

Mr. Loyd Warnock
12053 Leighton Court

Carmel, IN 46032

Dear Mr. Warnock:

This letter agreement amends the "Amended and Restated Employment Letter Agreement," dated May 2, 2014. Specifically, the subsection titled "LTIP Grants Issued in 2018 and 2019," is now amended as follows:

LTIP Grants Issued in 2018, 2019 and 2020

So long as the Compensation Committee approves LTIP grants to eligible employees in 2018, 2019 and 2020, any grants made to you pursuant to the Company's LTIP in these years shall vest on January 1, 2021.

Your signature below indicates your acceptance of this amendment. Please let me know if you have any questions or concerns.

Regards,

/s/ Susan N. Story

By my voluntary and knowing signature below, I, Loyd Warnock, certify that I completely read and understand this document. I further understand that my employment remains "at will," which means that I am not guaranteed employment or any particular job for any specified period of time. The Company or I may terminate my employment at any time, for any or no reason, with or without cause.

/s/ Loyd Warnock	4/25/2018
Signature: Loyd Warnock	Date

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Section 15: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

I, Susan N. Story, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 2, 2018

By: /s/ SUSAN N. STORY

Susan N. Story

President and Chief Executive Officer
(Principal Executive Officer)

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Section 16: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,

as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Linda G. Sullivan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 2, 2018

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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Section 17: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan N. Story, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)
May 2, 2018

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Section 18: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Linda G. Sullivan, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
May 2, 2018

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Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

For the quarterly period ended September 30, 2018
OR

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

For the transition period from _____ to _____

Commission file number 001-34028

AMERICAN WATER WORKS COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1 Water Street, Camden, NJ	**08102-1658**
(Address of principal executive offices)	**(Zip Code)**

(856) 955-4001
(Registrant's telephone number, including area code)

1025 Laurel Oak Road, Voorhees, NJ 08043
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Class	Outstanding as of October 25, 2018
Common Stock, $0.01 par value per share	**180,598,794 shares (excludes 4,683,156 treasury shares as of October 25, 2018)**

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FORWARD-LOOKING STATEMENTS

We have made statements in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Quarterly Report on Form 10-Q ("Form 10-Q"), that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things, our future financial performance, including our operation and maintenance ("O&M") efficiency ratio, our cash flows, our growth and portfolio optimization strategies, our projected capital expenditures and related funding requirements, our ability to repay debt, our projected strategy to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory, legislative, tax policy or legal developments or rate adjustments, including rate case filings, filings for infrastructure surcharges and filings to address regulatory lag, and impacts that the Tax Cuts and Jobs Act (the "TCJA") may have on us and our business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results or levels of activity, performance or achievements, and you are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Our actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions, taxes, permitting and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts;
- limitations on the availability of our water supplies or sources of water, or restrictions on our use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, water quality and emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- our ability to appropriately maintain current infrastructure, including our operational and information technology ("IT") systems, and manage the expansion of our business;
- exposure or infiltration of our critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber attacks or other means;
- our ability to obtain permits and other approvals for projects;
- changes in our capital requirements;
- our ability to control operating expenses and to achieve efficiencies in our operations;
- the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers;
- our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations;
- our ability to successfully meet growth projections for our regulated and market-based businesses, either individually or in the

aggregate, and capitalize on growth opportunities, including our ability to, among other things:

- acquire, close and successfully integrate regulated operations and market-based businesses;
- enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses; and

- realize anticipated benefits and synergies from new acquisitions;

- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;

- cost overruns relating to improvements in or the expansion of our operations;

- our ability to maintain safe work sites;

- our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water transfer solutions that are focused on customers in the shale natural gas exploration and production market;

- changes in general economic, political, business and financial market conditions;

- access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures;

- fluctuations in interest rates;

- restrictive covenants in or changes to the credit ratings on us or our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends;

- fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements;

- changes in federal or state general, income and other tax laws, including any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the TCJA, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. federal and state income tax net operating loss ("NOL") carryforwards;

- migration of customers into or out of our service territories;

- the use by municipalities of the power of eminent domain or other authority to condemn our systems, or the assertion by private landowners of similar rights against us;

- our difficulty or inability to obtain insurance, our inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or our inability to obtain reimbursement under existing insurance programs for any losses sustained;

- the incurrence of impairment charges related to our goodwill or other assets;

- labor actions, including work stoppages and strikes;

- our ability to retain and attract qualified employees;

- civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and

- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risk factors and other statements contained in our Annual Report on Form 10-K for the year ended December 31, 2017 ("Form 10-K"), and in this Form 10-Q, and you should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements we make speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

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PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	September 30, 2018	December 31, 2017
ASSETS		
Property, plant and equipment	$ 22,734	$ 21,716
Accumulated depreciation	(5,671)	(5,470)
Property, plant and equipment, net	17,063	16,246
Current assets:		
Cash and cash equivalents	86	55
Restricted funds	29	27
Accounts receivable, net	347	272
Unbilled revenues	203	212
Materials and supplies	42	41
Other	93	113
Total current assets	800	720
Regulatory and other long-term assets:		
Regulatory assets	1,086	1,061
Goodwill	1,571	1,379
Postretirement benefit asset	193	—
Intangible assets	91	9
Other	76	67
Total regulatory and other long-term assets	3,017	2,516
Total assets	$ 20,880	$ 19,482

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	September 30, 2018	December 31, 2017
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 185,279,397 and 182,508,564 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,647	6,432
Accumulated deficit	(432)	(723)
Accumulated other comprehensive loss	(60)	(79)
Treasury stock, at cost (4,683,156 and 4,064,010 shares, respectively)	(297)	(247)
Total common stockholders' equity	5,860	5,385
Long-term debt	7,570	6,490
Redeemable preferred stock at redemption value	7	8
Total long-term debt	7,577	6,498
Total capitalization	13,437	11,883
Current liabilities:		
Short-term debt	564	905
Current portion of long-term debt	263	322
Accounts payable	141	195
Accrued liabilities	455	630
Taxes accrued	67	33
Interest accrued	89	73
Other	169	167
Total current liabilities	1,748	2,325
Regulatory and other long-term liabilities:		
Advances for construction	259	271
Deferred income taxes, net	1,670	1,551
Deferred investment tax credits	21	22
Regulatory liabilities	1,962	1,664
Accrued pension expense	393	384
Accrued postretirement benefit expense	—	40
Other	78	66
Total regulatory and other long-term liabilities	4,383	3,998
Contributions in aid of construction	1,312	1,276
Commitments and contingencies (See Note 12)		
Total capitalization and liabilities	$ 20,880	$ 19,482

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating revenues	$ 976	$ 936	$ 2,590	$ 2,536
Operating expenses:				
Operation and maintenance	390	322	1,085	1,003
Depreciation and amortization	141	128	404	378
General taxes	71	61	210	192
Gain on asset dispositions and purchases	(18)	(7)	(20)	(9)
Impairment charge	57	—	57	—
Total operating expenses, net	641	504	1,736	1,564
Operating income	335	432	854	972
Other income (expense):				
Interest, net	(89)	(89)	(259)	(259)
Non-operating benefit costs, net	5	(2)	10	(7)
Loss on early extinguishment of debt	(2)	(6)	(2)	(6)
Other, net	6	5	14	11
Total other income (expense)	(80)	(92)	(237)	(261)
Income before income taxes	255	340	617	711
Provision for income taxes	70	137	164	284
Consolidated net income	185	203	453	427
Net loss attributable to noncontrolling interest	(2)	—	(2)	—
Net income attributable to common stockholders	$ 187	$ 203	$ 455	$ 427
Basic earnings per share: (a)				
Net income attributable to common stockholders	$ 1.04	$ 1.14	$ 2.54	$ 2.39
Diluted earnings per share: (a)				
Net income attributable to common stockholders	$ 1.04	$ 1.13	$ 2.53	$ 2.39
Weighted-average common shares outstanding:				
Basic	181	178	179	178
Diluted	181	179	180	179
Dividends declared per common share	$ 0.455	$ 0.415	$ 0.91	$ 0.83

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income attributable to common stockholders	$ 187	$ 203	$ 455	$ 427
Other comprehensive income (loss), net of tax:				
Pension amortized to periodic benefit cost:				
Actuarial loss, net of tax of $1 and $1 for the three months and $2 and $3 for the nine months ended September 30, 2018 and 2017, respectively	2	1	6	5
Foreign currency translation adjustment	—	—	—	(1)
Unrealized gain (loss) on cash flow hedges, net of tax of $2 and $(3) for the three months ended and $4 and $(4) for the nine months ended September 30, 2018 and 2017, respectively	7	(3)	13	(5)
Net other comprehensive income (loss)	9	(2)	19	(1)
Comprehensive income attributable to common stockholders	$ 196	$ 201	$ 474	$ 426

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Nine Months Ended September 30,	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 453	$ 427
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	404	378
Deferred income taxes and amortization of investment tax credits	142	264
Provision for losses on accounts receivable	22	21
Gain on asset dispositions and purchases	(20)	(9)
Impairment charge	57	—
Pension and non-pension postretirement benefits	19	44
Other non-cash, net	27	(39)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(70)	(34)
Pension and postretirement benefit contributions	(11)	(36)
Accounts payable and accrued liabilities	(23)	(22)
Other assets and liabilities, net	32	48
Impact of Freedom Industries settlement activities	(40)	(22)
Net cash provided by operating activities	992	1,020
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,136)	(964)
Acquisitions, net of cash acquired	(381)	(10)
Proceeds from sale of assets	33	9
Removal costs from property, plant and equipment retirements, net	(61)	(51)
Net cash used in investing activities	(1,545)	(1,016)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	1,355	1,382
Repayments of long-term debt	(330)	(334)
Net short-term borrowings with maturities less than three months	(341)	(746)
Proceeds from issuance of common stock	183	—
Proceeds from issuances of employee stock plans and direct stock purchase plan	15	21
Advances and contributions for construction, net of refunds of $20 and $16 for the nine months ended September 30, 2018 and 2017, respectively	15	23
Debt issuance costs	(12)	(13)
Make-whole premium on early debt redemption	(10)	(34)
Dividends paid	(237)	(215)
Anti-dilutive share repurchases	(45)	(54)
Taxes paid related to employee stock plans	(7)	(11)
Net cash provided by financing activities	586	19
Net increase in cash and cash equivalents and restricted funds	33	23
Cash and cash equivalents and restricted funds at beginning of period	83	99
Cash and cash equivalents and restricted funds at end of period	$ 116	$ 122
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of end of period	$ 187	$ 175
Acquisition financed by treasury stock	$ —	$ 33

The accompanying notes are an integral part of these Consolidated Financial Statements.

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American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
(In millions)

	Common Stock				Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Par Value	Paid-in-Capital	Accumulated Deficit		Shares	At Cost	
Balance as of December 31, 2017	182.5	$ 2	$ 6,432	$ (723)	$ (79)	(4.1)	$ (247)	$ 5,385
Net income attributable to common stockholders	—	—	—	455	—	—	—	455
Direct stock reinvestment and purchase plan	0.1	—	5	—	—	—	—	5
Employee stock purchase plan	0.1	—	6	—	—	—	—	6
Stock-based compensation activity	0.3	—	21	(1)	—	(0.1)	(5)	15
Issuance of common stock	2.3	—	183	—	—	—	—	183
Repurchases of common stock	—	—	—	—	—	(0.5)	(45)	(45)
Net other comprehensive income	—	—	—	—	19	—	—	19
Dividends	—	—	—	(163)	—	—	—	(163)
Balance as of September 30, 2018	185.3	$ 2	$ 6,647	$ (432)	$ (60)	(4.7)	$ (297)	$ 5,860

	Common Stock				Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Par Value	Paid-in-Capital	Accumulated Deficit		Shares	At Cost	
Balance as of December 31, 2016	181.8	$ 2	$ 6,388	$ (873)	$ (86)	(3.7)	$ (213)	$ 5,218
Cumulative effect of change in accounting principle	—	—	—	21	—	—	—	21
Net income attributable to common stockholders	—	—	—	427	—	—	—	427
Direct stock reinvestment and purchase plan	0.1	—	6	—	—	—	—	6
Employee stock purchase plan	—	—	5	—	—	—	—	5
Stock-based compensation activity	0.5	—	18	—	—	(0.1)	(7)	11
Acquisitions via treasury stock	—	—	6	—	—	0.4	27	33
Repurchases of common stock	—	—	—	—	—	(0.7)	(54)	(54)
Net other comprehensive loss	—	—	—	—	(1)	—	—	(1)
Dividends	—	—	—	(148)	—	—	—	(148)
Balance as of September 30, 2017	182.4	$ 2	$ 6,423	$ (573)	$ (87)	(4.1)	$ (247)	$ 5,518

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements provided in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (collectively, "American Water" or the "Company"), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting, and with the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of September 30, 2018, and the results of operations and cash flows for all periods presented have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2017 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

The Company adopted the following accounting standards in 2018:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Revenue from Contracts with Customers	Changes the criteria for recognizing revenue from a contract with a customer. Replaces existing guidance on revenue recognition, including most industry-specific guidance. The objective is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows.	January 1, 2018	Modified retrospective	The adoption had no material impact on the Consolidated Financial Statements. Additional disclosures were added in the Notes to Consolidated Financial Statements. For additional information, see Note 3—Revenue Recognition.
Clarifying the Definition of a Business	Updated the accounting guidance to clarify the definition of a business, with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions, or disposals, of assets or businesses.	January 1, 2018	Prospective	The adoption had no material impact on the Consolidated Financial Statements.
Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost	Updated authoritative guidance to require the service cost component of net periodic benefit cost to be presented in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. The remaining components of net periodic benefit cost are required to be presented separately from the service cost component, in an income statement line item outside of operating income. Also, the guidance only allows for the service cost component to be eligible for capitalization. The updated guidance does not impact the accounting for net periodic benefit costs as regulatory assets or liabilities.	January 1, 2018	Retrospective for the presentation of the service cost component and the other components of net periodic benefit costs on the Consolidated Statements of Operations; prospective for the limitation of capitalization to only the service cost component of net periodic benefit costs in total assets.	The Company presented in the current period, and reclassified in the prior periods, net periodic benefit costs, other than the service cost component, in non-operating benefit costs, net on the Consolidated Statements of Operations.
Simplification of Goodwill Impairment Testing	Updated authoritative guidance to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in the update, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying value exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	August 31, 2018	Prospective	See Note 6—Goodwill and Other Intangible Assets.
Cloud Computing Service Arrangements	Updated the accounting and disclosure guidance for cloud computing arrangements that are service contracts. Under this guidance, implementation costs incurred in cloud computing arrangements and in developing or obtaining internal-use software follow the same capitalization requirements. The accounting for the service element of the arrangement remains unchanged.	September 30, 2018	Prospective	The adoption had no material impact on the Consolidated Financial Statements.

The following recently issued accounting standards have not yet been adopted by the Company as of September 30, 2018:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Leases	Updated the accounting and disclosure guidance for leasing arrangements. Under this guidance, a lessee will be required to recognize the following for all leases, excluding short-term leases, at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the guidance, lessor accounting is largely unchanged. A package of optional transition practical expedients allows an entity not to reassess under the new guidance: (i) whether any existing contracts are or contain leases; (ii) lease classification; and (iii) initial direct costs. Additional optional transition practical expedients are available which allow an entity not to evaluate existing land easements if the easements were not previously accounted for as leases, and to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment in the opening balance of retained earnings in the period of adoption.	January 1, 2019; early adoption permitted	Modified retrospective	The Company has not yet quantified the impact of recognizing right-of-use assets and lease liabilities, but is evaluating the impact on its Consolidated Financial Statements. The Company has defined a process and implemented software to meet the accounting and reporting requirements of the guidance and is assessing lease arrangements. The Company expects to elect all practical expedients available under the new lease accounting and disclosure guidance and will not elect early adoption for the standard.
Accounting for Hedging Activities	Updated the accounting and disclosure guidance for hedging activities, which allows for more financial and nonfinancial hedging strategies to be eligible for hedge accounting. Under this guidance, a qualitative effectiveness assessment is permitted for certain hedges if an entity can reasonably support an expectation of high effectiveness throughout the term of the hedge, provided that an initial quantitative test establishes that the hedge relationship is highly effective. Also, for cash flow hedges determined to be highly effective, all changes in the fair value of the hedging instrument will be recorded in other comprehensive income, with a subsequent reclassification to earnings when the hedged item impacts earnings.	January 1, 2019; early adoption permitted	Modified retrospective for adjustments related to the measurement of ineffectiveness for cash flow hedges; prospective for the updated presentation and disclosure requirements.	The Company does not expect the adoption to have a material impact on its Consolidated Financial Statements based upon its hedging activities as of the balance sheet date. The Company is evaluating the timing of adoption.
Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	Permits an entity to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act (the "TCJA") to retained earnings.	January 1, 2019; early adoption permitted	In the period of adoption or retrospective.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Measurement of Credit Losses	Updated the accounting guidance on reporting credit losses for financial assets held at amortized cost basis and available-for-sale debt securities. Under this guidance, expected credit losses are required to be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. Also, this guidance requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down.	January 1, 2020; early adoption permitted	Modified retrospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Disclosure Requirements for Fair Value Measurement	Updated the disclosure requirements for fair value measurement. The guidance removes the requirements to disclose transfers between Level 1 and Level 2 measurements, the timing of transfers between levels, and the valuation processes for Level 3 measurements. Disclosure of transfers into and out of Level 3 measurements will be required. The guidance adds disclosure requirements for the change in unrealized gains and losses in other comprehensive income for recurring Level 3 measurements, as well as the range and weighted average of significant unobservable inputs used to develop Level 3 measurements.	January 1, 2020; early adoption permitted	Prospective for added disclosures and for the narrative description of measurement uncertainty; retrospective for all other amendments.	The Company does not expect the adoption to have a material impact on its Consolidated Financial Statements, and the Company is evaluating the timing of adoption.
Disclosure Requirements for Defined Benefit Plans	Updated the disclosure requirements for defined benefit plans. The guidance removes the requirement to disclose the amounts in accumulated other comprehensive income to be recognized as net periodic benefit cost, the effects of a one percent change in assumed healthcare costs and a number of other disclosures. The	December 31, 2020; early adoption permitted	Retrospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

guidance clarifies that projected benefit obligations and accumulated benefit obligations should be disclosed, and adds disclosure requirements for the weighted-average interest crediting rates for promised interest crediting rates and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation.

Cash, Cash Equivalents and Restricted Funds

The following table provides a reconciliation of the cash, cash equivalents and restricted funds as presented on the Consolidated Balance Sheets, to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the periods ended September 30:

	2018	2017
Cash and cash equivalents	$ 86	$ 93
Restricted funds	29	28
Restricted funds included in other long-term assets	1	1
Cash and cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	$ 116	$ 122

Reclassifications

Certain reclassifications have been made to prior periods in the accompanying Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers*, and all related amendments (collectively, "ASC 606" or the "standard"), using the modified retrospective approach, applied to contracts which were not completed as of January 1, 2018. Under this approach, periods prior to the adoption date have not been restated and continue to be reported under the accounting standards in effect for those periods. The Company's revenue associated with alternative revenue programs and lease contracts is outside the scope of ASC 606 and accounted for under other existing GAAP.

Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component. See Note 15—Segment Information for further discussion of the Company's operating segments.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company elected to use the right to invoice and the disclosure of remaining performance obligations practical expedients for these revenues.

Market-Based Businesses Revenue

Through various protection programs, the Company provides fixed fee services to domestic homeowners and smaller commercial customers to protect against repair costs for interior and external water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters, power surge protection and other related services. Most of the contracts have a one-year term and each service is a separate performance obligation, satisfied over time, as the customers simultaneously receive and consume the benefits provided from the service. Customers are

obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for these services. Advances from customers are deferred until the performance obligation is satisfied. The Company elected to use the disclosure of remaining performance obligations practical expedients for these revenues.

The Company's Market-Based Businesses also have long-term, fixed fee contracts to operate and maintain water and wastewater facilities with the U.S. government on various military bases and facilities owned by municipal and industrial customers, as well as shorter-term contracts that provide water management solutions for shale natural gas companies and customers in the water services market. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. The Company elected to use the significant financing component practical expedient for these contract revenues. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues, and are recognized in the period in which revisions are determined.

Disaggregated Revenues

The following table summarizes the Company's operating revenues disaggregated for the three months ended September 30, 2018:

(In millions)	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 475	$ 7	$ 482
Commercial	180	3	183
Industrial	40	—	40
Public and other	86	2	88
Total water services	781	12	793
Wastewater services:			
Residential	29	—	29
Commercial	8	—	8
Industrial	3	—	3
Public and other	1	—	1
Total wastewater services	41	—	41
Miscellaneous utility charges	13	—	13
Alternative revenue programs	—	8	8
Lease contract revenue	—	2	2
Total Regulated Businesses	835	22	857
Market-Based Businesses	125	—	125
Other	(5)	(1)	(6)
Total operating revenues	$ 955	$ 21	$ 976

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent which are outside the scope of ASC 606 and accounted for under other existing GAAP.

The following table summarizes of the Company's operating revenues disaggregated for the nine months ended September 30, 2018:

(In millions)	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,253	$ 7	$ 1,260
Commercial	465	3	468
Industrial	105	—	105
Public and other	251	2	253
Total water services	2,074	12	2,086
Wastewater services:			
Residential	83	—	83
Commercial	22	—	22
Industrial	10	—	10
Public and other	2	—	2
Total wastewater services	117	—	117
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	22	22
Lease contract revenue	—	6	6
Total Regulated Businesses	2,227	40	2,267
Market-Based Businesses	339	—	339
Other	(14)	(2)	(16)
Total operating revenues	$ 2,552	$ 38	$ 2,590

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent which are outside the scope of ASC 606 and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Market-Based Businesses, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition, and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts and home warranty protection program contracts, and are recognized as revenue when the associated performance obligations are satisfied. Contract assets are included in unbilled revenues and contract liabilities are included in other current liabilities on the Consolidated Balance Sheets as of September 30, 2018.

The following table summarizes the changes in contract assets and liabilities for the nine months ended September 30, 2018:

(In millions)		
Contract assets:		
Balance at January 1, 2018	$	35
Additions		20
Transfers to accounts receivable, net		(38)
Balance at September 30, 2018	$	17
Contract liabilities:		
Balance at January 1, 2018	$	25
Additions		49
Transfers to operating revenues		(45)
Balance at September 30, 2018	$	29

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. As of September 30, 2018, the Company's operation and maintenance and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military bases expire between 2051 and 2068 and have RPOs of $4.4 billion as of September 30, 2018, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2018 and 2038 and have RPOs of $612 million as of September 30, 2018, as measured by estimated remaining contract revenue. Approximately $61 million of RPOs were eliminated in conjunction with the sale of 20 of the Company's Contract Services Group's contracts to subsidiaries of Veolia Environnement S.A. See Note 4—Acquisitions and Divestitures for further discussion of this transaction.

Note 4: Acquisitions and Divestitures

Regulated Acquisitions

During the nine months ended September 30, 2018, the Company closed on seven acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $18 million. Assets acquired in these acquisitions, principally utility plant, totaled $19 million. Liabilities assumed, primarily contributions in aid of construction, totaled $1 million.

Market-Based Businesses Acquisitions

Pivotal Home Solutions Acquisition

On June 4, 2018, the Company, through its subsidiary American Water Enterprises, LLC, completed the acquisition of Pivotal Home Solutions ("Pivotal") for a total purchase price of $365 million, net of cash received and including $9 million in working capital. Pivotal is headquartered in Naperville, Illinois, and is a provider of home warranty protection products and services, operating in 18 states, with approximately 1.2 million customer contracts at the time of acquisition. Pivotal is complementary to the Company's Homeowner Services Group product offerings, and enhances its presence in the home warranty solutions markets through utility partnerships. The results of Pivotal have been consolidated into the Homeowner Services Group non-reportable operating segment.

This acquisition was funded through the issuance of common stock, as described below, and from borrowings through the Company's commercial paper program, which were subsequently refinanced with the issuance of long-term debt during the third quarter of 2018. This acquisition is being accounted for as a business combination which requires, among other things, the assets acquired and the liabilities assumed to be recognized at their fair values at the acquisition date. The purchase price allocation is based upon preliminary information and is subject to change upon the completion of formal valuations and other reviews and assessments, which will occur no later than one year after the acquisition date.

The following table provides the preliminary purchase price allocation for the Pivotal acquisition as of June 4, 2018, and the adjustments that have been made through September 30, 2018:

	June 4, 2018 (as initially reported)	Measurement Period Adjustments	June 4, 2018 (as adjusted)
Identifiable assets:			
Accounts receivable	$ 23	$ (1)	$ 22
Other current assets	1	1	2
Property, plant and equipment	21	1	22
Intangible assets	96	(4)	92
Total identifiable assets	141	(3)	138
Liabilities assumed:			
Accounts payable and accrued liabilities	(5)	—	(5)
Other current liabilities	(14)	2	(12)
Long-term liabilities	(1)	—	(1)
Total liabilities assumed	(20)	2	(18)
Net identifiable assets acquired	121	(1)	120
Goodwill	242	3	245
Net assets acquired	$ 363	$ 2	$ 365

Customer relationships, which comprise the majority of the preliminary intangible assets balance, are amortized based on historical attrition rates over their estimated useful lives of up to 21 years, with a weighted average life of approximately six years, as the assets are expected to contribute to the cash flows of the Company. The remaining intangible assets are amortized over their expected benefit periods of up to six years, with a weighted average life of approximately three years. Goodwill was calculated as the excess of the consideration transferred over the net assets recognized, and represents the expected revenue and cost synergies of the combined business and assembled workforce of Pivotal. The goodwill is included in the Company's Homeowner Services Group reporting unit, within the Market-Based Businesses, and is deductible for income tax purposes.

Pivotal's revenue and net income included in the Company's Consolidated Statements of Operations for the three and nine months ended September 30, 2018, did not have a material impact on the overall consolidated results of operations of the Company.

Equity Forward Transaction and Common Stock Issuance

On April 11, 2018, the Company effected an equity forward transaction by entering into a forward sale agreement with each of two forward purchasers in connection with a public offering of 2,320,000 shares of the Company's common stock. In the equity forward transaction, the forward purchasers, or an affiliate, borrowed an aggregate of 2,320,000 shares of the Company's common stock from third parties and sold them to the underwriters in the public offering. On June 7, 2018, the Company elected to fully and physically settle both forward sale agreements, resulting in the issuance of a total of 2,320,000 shares of its common stock at a price of $79.01 per share, for aggregate net proceeds of $183 million. The net proceeds of the transaction were used to finance a portion of the purchase price of the Pivotal acquisition described above.

Highlighted Pending Acquisitions

On April 13, 2018, the Company's Illinois subsidiary entered into an agreement to acquire the City of Alton, Illinois' regional wastewater system for approximately $54 million. This system currently serves approximately 23,000 customer equivalents, comprised of approximately 11,000 direct connections in Alton and service to an additional 12,000 customers under bulk contracts in the nearby communities of Bethalto and Godfrey. The Company is expecting to close this acquisition by the end of the first quarter of 2019, pending regulatory approval.

On May 30, 2018, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of Exeter Township, Pennsylvania for approximately $96 million. This system currently serves nearly 9,000 customers, and the Company is expecting to close this acquisition during the second quarter of 2019, pending regulatory approval.

Divestitures

On July 5, 2018, the Company entered into an agreement for the sale of the majority of its Contract Services Group to subsidiaries of Veolia Environnement S.A. for $27 million. The Company closed on the sale of 20 of the 22 contracts associated with this agreement during the third quarter of 2018, and expects to close on the remaining two contracts, subject to customer consents, by the end of 2018. As part of the sale, the Company recognized a pre-tax gain of $14 million for the three and nine months ended September 30, 2018.

Note 5: Regulatory Liabilities

Tax Cuts and Jobs Act

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. During the nine months ended September 30, 2018, the Company's 14 regulatory jurisdictions began to consider the impacts of the TCJA. The Company has adjusted customer rates to reflect the lower income tax rate in eight states. In one state, a portion of the tax savings is being used to offset additional capital investment and to reduce certain regulatory assets. One additional state is using a portion of the tax savings to reduce certain regulatory assets. Proceedings in the other five jurisdictions remain pending. With respect to excess accumulated deferred income taxes, regulators in five states have agreed with the Company's overall timeline of passing the excess back to customers beginning no earlier than 2019, when the Company is able to produce the normalization schedule using the average rate assumption method. In one of those states we entered into a stipulated settlement that, if approved, would authorize the amortization of the re-measured deferred income taxes to offset future infrastructure investments.

The Company generally expects its regulated customers to benefit from the tax savings resulting from the TCJA. As a result, the Company has recorded a $55 million reserve on revenue during the nine months ended September 30, 2018, for the estimated tax savings resulting from the TCJA, with a corresponding regulatory liability, of which the current portion is $22 million (recorded in Other Current Liabilities), and the long-term portion is $33 million (recorded in regulatory liabilities). We cannot predict how each jurisdiction may calculate the amount of credits due to customers. If any of the Company's regulatory jurisdictions determines the credits due to customers are higher than the expected reduction to income tax expense, this would result in an adverse impact to results of operations and cash flows.

Other Postretirement Benefit Plan Remeasurement

On August 31, 2018, the other postretirement benefit plan was remeasured to reflect an announced plan amendment which changed benefits for certain union and non-union plan participants. As a result of the remeasurement, the Company recorded a $227 million reduction to the net accumulated postretirement benefit obligation, with a corresponding regulatory liability. See Note 11—Pension and Other Post-Retirement Benefits for further discussion.

Note 6: Goodwill and Other Intangible Assets

The following table summarizes changes in the carrying amount of goodwill for the nine months ended September 30, 2018:

	Regulated Businesses		Market-Based Businesses		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of December 31, 2017	$ 3,492	$ (2,332)	$ 327	$ (108)	$ 3,819	$ (2,440)	$ 1,379
Goodwill from acquisitions	—	—	245	—	245	—	245
Goodwill impairment charge	—	—	—	(53)	—	(53)	(53)
Balance as of September 30, 2018	$ 3,492	$ (2,332)	$ 572	$ (161)	$ 4,064	$ (2,493)	$ 1,571

During the nine months ended September 30, 2018, the Company recorded goodwill of $245 million as part of the acquisition of Pivotal. Goodwill acquired from this acquisition was allocated to the Homeowner Services Group reporting unit, within the Market-Based Businesses. See Note 4—Acquisitions and Divestitures for further discussion.

The Company allocates goodwill at the reporting unit level and evaluates goodwill for impairment on an annual basis, as of November 30, or on an interim basis, if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value. As a result of operational and financial challenges encountered in the construction business of Keystone Clearwater Solutions, LLC ("Keystone"), the Company substantially exited this business line during the third quarter of 2018. This action, along with the exit of the water trucking business line during the first half of 2018, narrowed the scope of the Keystone business going forward, focusing solely on providing water transfer services.

Based on the factors discussed above, the Company concluded there were indicators that the Keystone reporting unit may be impaired. Accordingly, impairment testing was performed as part of the preparation of the Company's Consolidated Financial Statements, resulting in an aggregate, non-cash, pre-tax impairment charge of $57 million, of which, $54 million was attributable to the Company, after adjustment for noncontrolling interest.

In terms of the process followed for the impairment, the Company first completed an impairment test of the Keystone reporting unit's customer relationship intangible asset at September 30, 2018. The results of this impairment test showed that the fair value of the intangible asset was lower than its carrying value, resulting in a non-cash, pre-tax impairment charge of $4 million, which is recorded in Impairment charge on the Consolidated Statement of Operations for the three and nine months ended September 30, 2018.

The Company then completed an interim goodwill impairment test for the Keystone reporting unit at September 30, 2018. The results of this impairment test showed the fair value of the Keystone reporting unit was lower than its carrying value, resulting in a non-cash, pre-tax impairment charge of $53 million, which is recorded in Impairment charge on the Consolidated Statement of Operations for the three and nine months ended September 30, 2018. The Company estimated the fair value of the Keystone reporting unit using an income approach valuation technique which estimates the amount and timing of future discounted cash flows from operations of the Keystone reporting unit, relying on multiple projected scenarios. Significant assumptions used in estimating the fair value included, but was not limited to, forecasts of future operating results, including revenue per well, well completions and gross profit margin; capital expenditures; tax rates; working capital; weighted average cost of capital; and long-term growth rates. See Note 14—Fair Value of Financial Assets and Liabilities for further discussion.

Note 7: Stockholders' Equity

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2018 and 2017, respectively:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial (Gain) Loss	Foreign Currency Translation	Gain on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Beginning balance as of December 31, 2017	$ (140)	$ 1	$ 49	$ 1	$ 10	$ (79)
Other comprehensive income before reclassifications	—	—	—	—	13	13
Amounts reclassified from accumulated other comprehensive loss	—	—	6	—	—	6
Net other comprehensive income	—	—	6	—	13	19
Ending balance as of September 30, 2018	$ (140)	$ 1	$ 55	$ 1	$ 23	$ (60)
Beginning balance as of December 31, 2016	$ (147)	$ 1	$ 42	$ 2	$ 16	$ (86)
Other comprehensive loss before reclassifications	—	—	—	(1)	(5)	(6)
Amounts reclassified from accumulated other comprehensive loss	—	—	5	—	—	5
Net other comprehensive income (loss)	—	—	5	(1)	(5)	(1)
Ending balance as of September 30, 2017	$ (147)	$ 1	$ 47	$ 1	$ 11	$ (87)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been capitalized as a regulatory asset. These accumulated other comprehensive income loss components are included in the computation of net periodic pension cost. See Note 11—Pension and Other Post-Retirement Benefits for further discussion.

The amortization of the gain on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Anti-dilutive Stock Repurchase Program

During the nine months ended September 30, 2018, the Company repurchased 0.6 million shares of common stock in the open market at an aggregate cost of $45 million under the anti-dilutive stock repurchase program authorized by the Company's Board of Directors in 2015. As of September 30, 2018, there were 5.5 million shares of common stock available for repurchase under the program.

Equity Forward Transaction

See Note 4—Acquisitions and Divestitures for discussion relating to the forward sale agreements entered into by the Company on April 11, 2018, and the subsequent settlement of these agreements on June 7, 2018.

Note 8: Long-Term Debt

The following long-term debt was issued during the nine months ended September 30, 2018:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Senior Notes—fixed rate	3.75%-4.20%	2028-2048	$ 1,325
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate (a)	0.00%-5.00%	2020-2048	30
Total issuances				$ 1,355

(a) Approximately $26 million of this debt relates to the New Jersey Environmental Infrastructure Financing Program.

The following long-term debt was retired through sinking fund provisions, optional redemptions or payment at maturity during the nine months ended September 30, 2018:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Senior Notes—fixed rate	5.62%-6.25%	2018-2022	$ 310
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.40%	2018-2047	15
Other American Water subsidiaries	Mortgage bonds—fixed rate	9.13%	2021	1
Other American Water subsidiaries	Term Loan	4.83%-5.69%	2021	2
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	2036	1
Total retirements and redemptions				$ 330

On August 9, 2018, American Water Capital Corp. ("AWCC") completed a $1.325 billion debt offering which included the sale of $625 million aggregate principal amount of its 3.75% Senior Notes due in 2028, and $700 million aggregate principal amount of its 4.20% Senior Notes due in 2048. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $1.3 billion. AWCC used proceeds from the offering to: (i) lend funds to American Water and its regulated operating subsidiaries; (ii) repay $191 million principal amount of AWCC's 5.62% Senior Notes due 2018 upon maturity on December 21, 2018; (iii) prepay $100 million aggregate principal amount of AWCC's outstanding 5.62% Series E Senior Notes due March 29, 2019 (the "Series E Notes") and $100 million aggregate principal amount of AWCC's outstanding 5.77% Series F Senior Notes due March 29, 2022 (the "Series F Notes", and, together with the Series E Notes, the "Series Notes"); and (iv) repay AWCC's commercial paper obligations and for general corporate purposes.

As a result of AWCC's prepayment of the Series Notes, a make-whole premium of $10 million was paid to the holders thereof on September 11, 2018. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

On August 6, 2018, the Company terminated four forward starting swap agreements with an aggregate notional amount of $400 million, realizing a net gain of $9 million, to be amortized through interest, net over 10 and 30 year periods, in correlation with the terms of the new debt issued on August 9, 2018.

On August 17, 2018, the Company entered into two forward starting swap agreements, each with a notional amount of $80 million, to reduce interest rate exposure on debt expected to be issued in 2019. These forward starting swap agreements terminate in August 2019, and have an average fixed rate of 2.98%. On October 11, 2018, the Company entered into two additional forward starting swap agreements, each with a notional amount of $100 million, to reduce interest rate exposure on debt expected to be issued in 2019. These forward starting swap agreements terminate in December 2019, and have an average fixed rate of 3.31%. The Company has designated these forward starting swap agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

The Company has employed interest rate swaps to fix the interest cost on a portion of its variable-rate debt with an aggregate notional amount of $5 million. The Company has designated these interest rate swaps as economic hedges, accounted for at fair value with gains or losses deferred as a regulatory asset or regulatory liability. The net gain recognized by the Company for the three and nine months ended September 30, 2018 and 2017 was de minimis.

No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2018 and 2017.

The following table provides a summary of the gross fair value for the Company's derivative assets and liabilities, as well as the location of the asset and liability balances on the Consolidated Balance Sheets:

Derivative Instruments	Derivative Designation	Balance Sheet Classification	September 30, 2018	December 31, 2017
Asset derivative:				
Forward starting swaps	Cash flow hedge	Other current assets	$ 5	$ —
Liability derivative:				
Forward starting swaps	Cash flow hedge	Other current liabilities	$ —	$ 3

Note 9: Short-Term Debt

On March 21, 2018, AWCC and certain lenders amended and restated the credit agreement with respect to AWCC's revolving credit facility to increase the maximum commitments under the facility from $1.75 billion to $2.25 billion, and to extend the expiration date of the facility from June 2020 to March 2023. The facility is used principally to support AWCC's commercial paper program and to provide a sub-limit of up to $150 million for letters of credit. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million, and to request extensions of its expiration date for up to two one-year periods. As of September 30, 2018, AWCC had no outstanding borrowings and $88 million of outstanding letters of credit under the revolving credit facility, with $2.16 billion available to fulfill our short-term liquidity needs and to issue letters of credit. The financial covenants with respect to the facility remained unchanged from the credit agreement in effect on December 31, 2017.

On March 21, 2018, AWCC increased the maximum aggregate principal amount of borrowings authorized for issuance under its commercial paper program from $1.60 billion to $2.10 billion. As of September 30, 2018, AWCC had $564 million in commercial paper outstanding. The weighted-average interest rate on AWCC short-term borrowings was approximately 2.39% and 1.38% for the three months ended September 30, 2018 and 2017 respectively, and approximately 2.22% and 1.19% for the nine months ended September 30, 2018 and 2017, respectively.

Note 10: Income Taxes

The Company's effective income tax rate was 27.5% and 40.3% for the three months ended September 30, 2018 and 2017, respectively, and 26.6% and 39.9% for the nine months ended September 30, 2018 and 2017, respectively. The decrease in the Company's effective income tax rate primarily resulted from the reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, from the enactment of the TCJA. There were no significant adjustments recorded during the nine months ended September 30, 2018 pursuant to Staff Accounting Bulletin 118.

Note 11: Pension and Other Post-Retirement Benefits

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Components of net periodic pension benefit cost:				
Service cost	$ 8	$ 8	$ 25	$ 25
Interest cost	19	20	57	60
Expected return on plan assets	(24)	(23)	(73)	(70)
Amortization of actuarial loss	6	9	20	27
Net periodic pension benefit cost	$ 9	$ 14	$ 29	$ 42
Components of net periodic other post-retirement benefit (credit) cost:				
Service cost	$ 2	$ 3	$ 7	$ 8
Interest cost	5	7	16	20
Expected return on plan assets	(7)	(7)	(20)	(20)
Amortization of prior service credit	(7)	(5)	(16)	(14)
Amortization of actuarial loss	1	3	3	8
Net periodic other post-retirement benefit (credit) cost	$ (6)	$ 1	$ (10)	$ 2

The Company made a contribution of $11 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2018, and made contributions of $11 million and $31 million for the three and nine months ended September 30, 2017, respectively. In addition, the Company made no contributions for the funding of its other post-retirement plans for the three and nine months ended September 30, 2018, and made contributions of $2 million and $5 million for the three and nine months ended September 30, 2017, respectively. The Company expects to make pension contributions to the plan trusts of up to $11 million during the remainder of 2018.

On August 31, 2018, the other postretirement benefit plan was remeasured to reflect an announced plan amendment which changed benefits for certain union and non-union plan participants. The remeasurement included a $175 million reduction in future benefits payable to plan participants, and resulted in a $227 million reduction to the net accumulated postretirement benefit obligation. The plan amendment will be amortized over 10.2 years, the average future working lifetime to full eligibility age for all plan participants. The following table provides the significant assumptions related to the Company's other postretirement benefit plan:

	September 30, 2018	December 31, 2017
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.23%	3.73%
Expected return on plan assets	4.77%	4.77%
Medical trend	graded from 7.00% in 2018 to 4.50% in 2026+	graded from 7.00% in 2018 to 4.50% in 2026+

Note 12: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of September 30, 2018, the Company has accrued approximately $55 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $25 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 12—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

Global Class Action Litigation Settlement

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all putative class members (collectively, the "Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement is July 16, 2018.

Under the terms and conditions of the Settlement, West Virginia-American Water Company ("WVAWC") and certain other Company affiliated entities (collectively, the "American Water Defendants") have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions that were resolved. Under federal class action rules, claimants had the right, until December 8, 2017, to elect to opt out of the final Settlement. Less than 100 of the 225,000 estimated putative class members opted out from the Settlement, and these claimants will not receive any benefit from or be bound by the terms of the Settlement.

In June 2018, the Company and its remaining non-participating general liability insurance carrier settled for a payment to the Company of $20 million, out of a maximum of $25 million in potential coverage under the terms of the relevant policy, in exchange for a full release by the American Water Defendants of all claims against the insurance carrier related to the Freedom Industries chemical spill.

As a result, the aggregate pre-tax amount to be contributed by WVAWC of the $126 million Settlement with respect to the Company, net of insurance recoveries, is $23 million. As of September 30, 2018, $40 million of the aggregate settlement amount of $126 million, reflecting payments made by the Company under the terms of the Settlement, is reflected in Accrued Liabilities, and the offsetting insurance receivables are reflected in Other Current Assets on the Consolidated Balance Sheet. The Company has funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Other Related Proceedings

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the "public nuisance" it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a civil complaint in Lincoln County circuit court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public nuisance in Lincoln County. The complaint seeks an injunction against WVAWC that would require the creation of various databases and public repositories of documents related to the Freedom Industries chemical spill, as well as further study and risk assessments regarding the alleged exposure of Lincoln County residents to the released chemicals. On June 12, 2017, the West Virginia Mass Litigation Panel entered an order granting a motion to transfer this case to its jurisdiction and stayed the case consistent with the existing stay order. The LCC has elected to opt out of the Settlement. On January 26, 2018, the LCC filed a motion seeking to lift the stay imposed by the Mass Litigation Panel. On March 5, 2018, this motion was denied. On July 31, 2018, WVAWC filed a motion to dismiss the LCC's complaint. On September 21, 2018, the Mass Litigation Panel heard arguments on this motion. This motion remains pending. WVAWC believes that this lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

On September 28, 2018, the Mass Litigation Panel entered an order dismissing all of its pending cases except for two, one of which was the LCC's complaint discussed above.

California Public Utilities Commission Residential Rate Design Proceeding

On July 12, 2018, the California Public Utilities Commission (the "CPUC") adopted the April 9, 2018 presiding officer's decision that resolved the CPUC's residential tariff administration proceeding. The adoption provides for a waiver by California-American Water Company, a wholly owned subsidiary of the Company, of $0.5 million of cost recovery for residential customers through the water revenue adjustment mechanism/modified cost balancing account, in lieu of a penalty.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of WVAWC's West Relay pumping station located in the City of Dunbar. The failure of the main caused water outages and low pressure to up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a class action complaint was filed in West Virginia Circuit Court in Kanawha County against WVAWC on behalf of a purported class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

On October 12, 2017, WVAWC filed with the court a motion seeking to dismiss all of the plaintiffs' counts alleging statutory and common law tort claims. Furthermore, WVAWC asserted that the Public Service Commission of West Virginia, and not the court, has primary jurisdiction over allegations involving violations of the applicable tariff, the public utility code and related rules. On May 30, 2018, the court, at a hearing, denied WVAWC's motion to apply the primary jurisdiction doctrine, and on October 11, 2018, the court issued a written order to that effect. The court will issue a written order on the motion to dismiss, and has set a trial date of August 26, 2019.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible losses or a range of such losses related to this proceeding.

Note 13: Earnings per Common Share

The following table is a reconciliation of the numerator and denominator for basic and diluted earnings per share ("EPS") calculations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Numerator:				
Net income attributable to common stockholders	$ 187	$ 203	$ 455	$ 427
Denominator:				
Weighted-average common shares outstanding—Basic	181	178	179	178
Effect of dilutive common stock equivalents	—	1	1	1
Weighted-average common shares outstanding—Diluted	181	179	180	179

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units and performance stock units granted under the 2007 and 2017 Omnibus Equity Compensation Plans, as well as estimated shares to be purchased under the Company's 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and nine months ended September 30, 2018 and 2017 because their effect would have been anti-dilutive under the treasury stock method.

Equity Forward Transaction and Common Stock Issuance

See Note 4—Acquisitions and Divestitures for discussion regarding the forward sale agreements entered into by the Company on April 11, 2018, and the physical settlement of these agreements on June 7, 2018.

Note 14: Fair Value of Financial Assets and Liabilities

Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

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

The following table presents the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and the fair values of the financial instruments:

	Carrying Amount	At Fair Value as of September 30, 2018			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 9	$ —	$ —	$ 11	$ 11
Long-term debt (excluding capital lease obligations)	7,831	5,798	624	1,703	8,125

	Carrying Amount	At Fair Value as of December 31, 2017			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 10	$ —	$ —	$ 14	$ 14
Long-term debt (excluding capital lease obligations)	6,809	4,846	976	1,821	7,643

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy as of September 30, 2018 and December 31, 2017, respectively:

	At Fair Value as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 31	$ —	$ —	$ 31
Rabbi trust investments	16	—	—	16
Deposits	3	—	—	3
Mark-to-market derivative assets	—	5	—	5
Other investments	6	—	—	6
Total assets	56	5	—	61
Liabilities:				
Deferred compensation obligations	18	—	—	18
Mark-to-market derivative liabilities	—	—		—
Total liabilities	18	—	—	18
Total net assets (liabilities)	$ 38	$ 5	$ —	$ 43

	At Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 28	$ —	$ —	$ 28
Rabbi trust investments	15	—	—	15
Deposits	4	—	—	4
Other investments	3	—	—	3
Total assets	50	—	—	50
Liabilities:				
Deferred compensation obligations	17	—	—	17
Mark-to-market derivative liabilities	—	3	—	3
Total liabilities	17	3	—	20
Total net assets (liabilities)	$ 33	$ (3)	$ —	$ 30

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations, maintenance and repair projects. Long-term restricted funds of $1 million and $1 million were included in other long-term assets as of September 30, 2018 and December 31, 2017, respectively.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

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

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

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

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets.

Nonrecurring Fair Value Measurements

The following table presents assets measured and recorded at fair value on a nonrecurring basis and their level within the fair value hierarchy as of September 30, 2018:

	At Fair Value as of September 30, 2018				
	Level 1	Level 2	Level 3	Total	Total Impairment Expense for the Nine Months Ended September 30, 2018
Assets:					
Keystone goodwill (a)	$ —	$ —	$ 38	$ 38	$ 53
Keystone intangible asset (a)	—	—	3	3	4
Total	$ —	$ —	$ 41	$ 41	$ 57

(a) As of December 31, 2017, Keystone's goodwill balance was $91 million and its intangible asset balance was $8 million. Subsequent to the impairment charge recorded in the third quarter of 2018, Keystone's goodwill and intangible asset balances were $38 million and $3 million, respectively, as of September 30, 2018.

The Company's estimation of the fair value of the Keystone reporting unit as part of evaluating its goodwill and intangible asset for impairment represents a Level 3 fair value measurement, due to the use of internal projections and unobservable measurement inputs. See Note 6—Goodwill and Other Intangible Assets for further discussion.

Note 15: Segment Information

The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates businesses that provide a broad range of related and complementary water and wastewater services in non-regulated markets, which includes four operating segments that individually do not meet the criteria of a reportable segment. These four non-reportable operating segments are collectively presented as the "Market-Based Businesses." "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The following tables include the Company's summarized segment information:

	As of or for the Three Months Ended September 30, 2018			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 857	$ 125	$ (6)	$ 976
Depreciation and amortization	128	9	4	141
Impairment charge	—	57	—	57
Total operating expenses, net	505	139	(3)	641
Interest, net	(71)	—	(18)	(89)
Income before income taxes	288	(14)	(19)	255
Provision for income taxes	76	(5)	(1)	70
Net income attributable to common stockholders	213	(7)	(19)	187
Total assets	18,415	973	1,492	20,880
Capital expenditures	373	2	22	397

	As of or for the Three Months Ended September 30, 2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 842	$ 100	$ (6)	$ 936
Depreciation and amortization	121	5	2	128
Total operating expenses, net	429	80	(5)	504
Interest, net	(67)	1	(23)	(89)
Income before income taxes	347	21	(28)	340
Provision for income taxes	135	7	(5)	137
Net income attributable to common stockholders	212	14	(23)	203
Total assets	17,390	600	1,371	19,361
Capital expenditures	336	3	23	362

	As of or for the Nine Months Ended September 30, 2018			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,267	$ 339	$ (16)	$ 2,590
Depreciation and amortization	373	20	11	404
Impairment charge	—	57	—	57
Total operating expenses, net	1,420	323	(7)	1,736
Interest, net	(209)	3	(53)	(259)
Income before income taxes	656	20	(59)	617
Provision for income taxes	173	4	(13)	164
Net income attributable to common stockholders	484	18	(47)	455
Total assets	18,415	973	1,492	20,880
Capital expenditures	1,050	9	77	1,136

	As of or for the Nine Months Ended September 30, 2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,247	$ 306	$ (17)	$ 2,536
Depreciation and amortization	357	13	8	378
Total operating expenses, net	1,315	263	(14)	1,564
Interest, net	(200)	2	(61)	(259)
Income before income taxes	731	46	(66)	711
Provision for income taxes	285	17	(18)	284
Net income attributable to common stockholders	446	29	(48)	427
Total assets	17,390	600	1,371	19,361
Capital expenditures	878	7	79	964

Note 16: Subsequent Events

On October 10, 2018, pursuant to the exercise of a put option by the minority owner, the Company acquired an additional 3% membership interest in Water Solutions Holdings, LLC, which includes Keystone, its wholly owned subsidiary, bringing the Company's interest to 98%.

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

The following discussion should be read together with the unaudited Consolidated Financial Statements and Notes thereto included elsewhere in this Form 10-Q, and in our Form 10-K for the year ended December 31, 2017. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those we discuss under "Forward-Looking Statements," and elsewhere in this Form 10-Q.

Overview

Through its subsidiaries, American Water Works Company, Inc. is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenue and population served. Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as our "Regulated Businesses." Our utilities are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs" or "Regulators"). We also operate several market-based businesses, not subject to economic regulated by PUCs, that provide a broad range of related and complementary water and wastewater services to military bases, municipalities and shale natural gas exploration and production companies, as well as residential, commercial and industrial customers. Individually, these four operating segments do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented as our "Market-Based Businesses". See Part I, Item 1—Business in our Form 10-K for further discussion.

Throughout this Form 10-Q, unless the context otherwise requires, references to "we", "us", "our", the "Company" and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries.

Quarter Highlights

- On July 5, 2018, we entered into an agreement for the sale of 22 of our Contract Services Group's 33 operation and maintenance ("O&M") contracts to subsidiaries of Veolia Environnement S.A. for $27 million. During the third quarter of 2018, we closed on the sale of 20 of the 22 contracts associated with this agreement, recognizing an after-tax gain of $10 million, or $0.06 per share. We expect to close on the sale of the remaining two contracts, subject to customer consents, by the end of 2018.

- As a result of operational and financial challenges encountered in the construction business of Keystone Clearwater Solutions, LLC ("Keystone"), the Company decided to exit this business line during the third quarter of 2018. This action, along with the exit of the water trucking business line during the first half of 2018, narrowed the scope of the Keystone business going forward, focusing solely on providing water transfer services. These factors prompted the impairment testing of Keystone's goodwill and customer relationship intangible asset at September 30, 2018, resulting in a non-cash, after-tax, impairment charge of $40 million, net of noncontrolling interest, or $0.22 per share. See Note 6—Goodwill and Other Intangible Assets in the Notes to the Consolidated Financial Statements for further discussion.

- On October 29, 2018, our New Jersey subsidiary received an order on its general rate case filing, authorizing additional annualized revenues of $40 million, effective as of June 15, 2018. The order authorized a 9.6% return on equity and a capital structure of 46% debt and 54% equity. The order also approved the inclusion of $35 million of infrastructure surcharges in base rates and remanded the regulatory treatment of certain acquisition adjustments to a separate proceeding.

- On October 26, 2018, our West Virginia subsidiary, the staff of the Public Service Commission of West Virginia ("WVPSC") and the Consumer Advocate Division filed a joint stipulation for the general rate case that would provide for $23 million in additional annualized revenues and keep the current, 9.75% authorized return on equity. The joint stipulation would allow for our West Virginia subsidiary's excess deferred income tax amortization to be used to offset future infrastructure surcharges, and for the implementation of a customer lead service line replacement program. This joint stipulation is subject to the WVPSC's approval.

- Our Military Services Group was awarded a contract for ownership, operation and maintenance of the water and wastewater systems at Fort Leonard Wood in Missouri, effective October 1, 2018. The contract award includes estimated revenues of approximately $591 million over a 50-year period, subject to an annual economic price adjustment.

- On August 9, 2018, American Water Capital Corp. ("AWCC"), our wholly owned finance subsidiary, completed a $1.325 billion debt offering which included the sale of $625 million aggregate principal amount of its 3.75% Senior Notes due in 2028, and $700 million aggregate principal amount of its 4.20% Senior Notes due in 2048. AWCC used proceeds from the offering to lend funds to American Water and its regulated subsidiaries, to repay various senior notes and commercial paper obligations, and for general corporate purposes. See Note 8—Long-Term Debt in the Notes to the Consolidated Financial Statements for further discussion.

- Every five years, we negotiate national health and welfare benefits with our union-represented employees. On July 31, 2018, a new, five-year national benefits agreement was ratified, covering approximately 3,200 of our union-represented employees, which includes 17 labor unions and 69 collective bargaining agreements. Highlights of the new agreement include union-represented employees' participation in the Company's cash-based annual performance plan, changes to certain retiree medical benefits and additional medical plan options for our employees and their families.

Financial Results

The following table provides highlights of our diluted earnings per share and our adjusted diluted earnings per share (a non-GAAP measure) for the three and nine months ended September 30, 2018:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Diluted earnings per share (GAAP):				
Net income attributable to common stockholders	$ 1.04	$ 1.13	$ 2.53	$ 2.39
Non-GAAP adjustments:				
Gain on sale of portion of Contract Services Group contracts	(0.08)	—	(0.08)	—
Income tax impact	0.02	—	0.02	—
Net non-GAAP adjustment	(0.06)	—	(0.06)	—
Impairment charge	0.31	—	0.31	—
Income tax impact	(0.08)	—	(0.08)	—
Net loss attributable to noncontrolling interest	(0.01)	—	(0.01)	—
Net non-GAAP adjustment	0.22	—	0.22	—
Impact of Freedom Industries settlement activities	—	(0.12)	(0.11)	(0.12)
Income tax impact	—	0.05	0.03	0.05
Net non-GAAP adjustment	—	(0.07)	(0.08)	(0.07)
Early debt extinguishment at the parent company	—	0.03	—	0.03
Income tax impact	—	(0.01)	—	(0.01)
Net non-GAAP adjustment	—	0.02	—	0.02
Total net non-GAAP adjustments	0.16	(0.05)	0.08	(0.05)
Adjusted diluted earnings per share (non-GAAP)	$ 1.20	$ 1.08	$ 2.61	$ 2.34

For the three months ended September 30, 2018, net income attributable to common stockholders was $1.04 per diluted share, a decrease of $0.09 per diluted share, or 8.0%, as compared to the same period in 2017. Included in the 2018 amount was an after-tax benefit of $10 million, or $0.06 per diluted share, resulting from a gain recognized on the sale of the majority of our Contract Services Group's O&M contracts to subsidiaries of Veolia Environnement S.A., and an after-tax charge of $40 million, net of noncontrolling interest, or $0.22 per diluted share, resulting from a goodwill and intangible asset impairment charge related to Keystone. Included in the 2017 amount was an after-tax benefit of $13 million, or $0.07 per diluted share, resulting from an insurance settlement with one of our general liability insurance carriers related to the Freedom Industries matter in West Virginia, and an after-tax charge of $4 million, or $0.02 per diluted share, resulting from an early debt extinguishment charge at the parent company.

Adjusted diluted earnings per share (a non-GAAP measure) was $1.20 for the three months ended September 30, 2018, an increase of $0.12 per diluted share, or 11.1%, as compared to the same period in 2017. This increase was primarily due to continued growth in our Regulated Businesses, largely driven by infrastructure investment, acquisitions and organic growth, combined with growth in our Market-Based Businesses, mainly from our Homeowner Services Group, with integration expenses from the acquisition of Pivotal Home Solutions ("Pivotal") on June 4, 2018, lower than projected during the third quarter.

For the nine months ended September 30, 2018, net income attributable to common stockholders was $2.53 per diluted share, an increase of $0.14 per diluted share, or 5.9%, as compared to the same period in 2017. Included in the 2018 amount was: (i) an after-tax benefit of $10 million, or $0.06 per diluted share, resulting from a gain recognized on the sale of the majority of our Contract Services Group's O&M contracts to subsidiaries of Veolia Environnement S.A.; (ii) an after-tax charge of $40 million, net of noncontrolling interest, or $0.22 per diluted share, resulting from a goodwill and intangible asset impairment charge related to Keystone; and (iii) an after-tax benefit of $15 million, or $0.08 per diluted share, resulting from an insurance settlement with one of our general liability insurance carriers related to the Freedom Industries matter in West Virginia. Included in the 2017 amount was an after-tax benefit of $13 million, or $0.07 per diluted share, resulting from an insurance settlement with one of our general liability insurance carriers related to the Freedom Industries matter, and an after-tax charge of $4 million, or $0.02 per diluted share, resulting from an early debt extinguishment charge at the parent company.

Adjusted diluted earnings per share (a non-GAAP measure) was $2.61 for the nine months ended September 30, 2018, an increase of $0.27 per diluted share, or 11.5%, as compared to the same period in 2017. This increase was primarily due to continued growth in our Regulated Businesses, largely driven by infrastructure investment, acquisitions and organic growth, combined with growth in our Market-Based Businesses, mainly from our Homeowner Services Group, with integration expenses from the acquisition of Pivotal, lower than projected mainly during the third quarter.

Adjusted diluted earnings per share represents a non-GAAP financial measure and is calculated as GAAP diluted earnings per share, excluding the impact of one or more of the following events: (i) the gain recognized in the third quarter of 2018 on the sale of the majority of our Contract Services Group's O&M contracts; (ii) a goodwill and intangible asset impairment charge related to narrowing of the scope of the Keystone business in the third quarter of 2018; (iii) the September 2017 and June 2018 insurance settlements related to the Freedom Industries chemical spill in West Virginia; and (iv) the early debt extinguishment charges incurred in September 2017 with respect to the prepayment of debt allocated to the parent company, each as quantified in the table above. We believe that this non-GAAP measure provides investors with useful information by excluding certain matters that may not be indicative of our ongoing operating results, and that providing this non-GAAP measure will allow investors to understand better our businesses' operating performance and facilitate a meaningful year-to-year comparison of our results of operations. Although management uses this non-GAAP financial measure internally to evaluate our results of operations, we do not intend results excluding the adjustments to represent results as defined by GAAP, and the reader should not consider them as indicators of performance. This non-GAAP financial measure is derived from our consolidated financial information but is not presented in our financial statements prepared in accordance with GAAP, and thus it should be considered in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP. In addition, this non-GAAP financial measure as defined and used above may not be comparable to similarly titled non-GAAP measures used by other companies, and, accordingly, it may have significant limitations on its use.

Focusing on Central Themes

In 2018, our strategy, which is driven by our vision and core values, will continue to be anchored on our five central themes: (i) safety; (ii) customers; (iii) people; (iv) growth; and (v) technology and operational efficiency. We continue to focus on operating our business responsibly and managing our operating and capital costs in a manner that benefits our customers and produces long-term value for our stockholders. Additionally, we continue to execute on our ongoing strategy that ensures a safe workplace for our employees, emphasizes public safety for our customers and communities, and leverages our human resources, processes and technology innovation to make our business more effective and efficient. The progress that we have made during the first nine months of 2018 with respect to growth and improvement in our operational efficiency is described below.

Growth—Infrastructure investments and acquisitions

During the first nine months of 2018, we made capital investments of approximately $1.5 billion, focused in three key areas:

- $1.1 billion, of which the majority was in our Regulated Businesses for infrastructure improvements;
- $365 million to acquire Pivotal, as discussed below; and
- $18 million for acquisitions in our Regulated Businesses, which added approximately 7,600 water and wastewater customers.

For the full year of 2018, our capital investment is expected to be in the range of $2.0 billion to $2.1 billion, which includes the acquisition of Pivotal in the second quarter of 2018.

Our Military Services Group was awarded a contract for ownership, operation and maintenance of the water and wastewater systems at Fort Leonard Wood in Missouri, effective October 1, 2018. Designated as the U.S. Army's Maneuver Support Center of Excellence and the home to three U.S. Army schools, Fort Leonard Wood directly and indirectly supports 36,400 jobs across the state of Missouri. The contract award includes estimated revenues of approximately $591 million over a 50-year period, subject to an annual economic price adjustment.

In the course of pursuing our long-term strategy and growth initiatives for our Market-Based Businesses, on July 5, 2018, we entered into an agreement for the sale of 22 of our Contract Services Group's 33 O&M contracts to subsidiaries of Veolia Environnement S.A. for $27 million. We closed on the sale of 20 of the 22 contracts during the third quarter of 2018, and expect to close on the sale of the remaining two contracts associated with this agreement, subject to customer consents, by the end of 2018. We will retain four of our Contract Services Group's O&M contracts due to their proximity to our existing service areas, and expect the majority of the remaining contracts to be sold to other parties or expire within the next twelve months.

On June 4, 2018, American Water Enterprises, LLC, a wholly owned subsidiary of the Company, completed the acquisition of Pivotal for a purchase price of $365 million, including $9 million in working capital. Headquartered in Naperville, Illinois, Pivotal is a leading provider of home warranty protection products and services for gas, electric and other service lines inside and around a home, heating and cooling systems, and home appliances, operating in 18 states, with approximately 1.2 million customer contracts at the time of acquisition. Pivotal joins our Homeowner Services Group which provides similar home warranty protection products and services, primarily for external water and sewer lines. This transaction was financed with approximately 50% debt and 50% equity, and included the Company's election to physically settle the equity forward sale agreements entered into on April 11, 2018. See Note 4—Acquisitions and Divestitures in the Notes to the Consolidated Financial Statements for further discussion.

On May 30, 2018, our Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of Exeter Township, Pennsylvania, for approximately $96 million. This system currently serves approximately 9,000 customers and we are expecting to close this acquisition during the second quarter of 2019, pending regulatory approval.

On April 13, 2018, our Illinois subsidiary entered into an agreement to acquire the City of Alton, Illinois' regional wastewater system for approximately $54 million. This system currently serves approximately 23,000 customer equivalents, comprised of approximately 11,000 customer connections in Alton and an additional 12,000 customers under bulk contracts in the nearby communities of Bethalto and Godfrey. We are expecting to close this acquisition by the end of the first quarter of 2019, pending regulatory approval.

Technology & Operational Efficiency—Continued improvement in our Regulated Businesses' adjusted O&M efficiency ratio

Our adjusted O&M efficiency ratio, which we use as a measure of our operating performance, was 35.7% for the twelve months ended September 30, 2018, as compared to 35.9% for the twelve months ended September 30, 2017, with all periods prior to January 1, 2018, presented on a pro forma basis to include the estimated impact of the TCJA on operating revenues. The improvement in this ratio was primarily attributable to an increase in operating revenue in our Regulated Businesses.

Our adjusted O&M efficiency ratio is defined as the operation and maintenance expenses from our Regulated Businesses, divided by the pro forma operating revenues from our Regulated Businesses, where both operation and maintenance expenses and pro forma operating revenues were adjusted to eliminate purchased water expense. Additionally, from operation and maintenance expenses, we excluded the allocable portion of non-operation and maintenance support services costs, mainly depreciation and general taxes, that are reflected in our Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, are categorized within other line items in the accompanying Consolidated Statements of Operations.

In addition to the adjustments discussed above, for period-to-period comparability purposes, we have presented the estimated impact of the TCJA on operating revenues for our Regulated Businesses on a pro forma basis for all periods presented prior to January 1, 2018, as if the lower federal corporate income tax rate was in effect for these periods (see Note 5—Regulatory Liabilities in the Notes to the Consolidated Financial Statements for further discussion). We also excluded from operation and maintenance expenses the impact of certain Freedom Industries chemical spill settlement activities recognized in 2017 and 2018. We excluded the items discussed above from the calculation as we believe such items are not reflective of management's ability to increase the efficiency of our Regulated Businesses.

We evaluate our operating performance using this ratio because we believe it directly measures improvement in the efficiency of our Regulated Businesses. This information is intended to enhance an investor's overall understanding of our operating performance. Our adjusted O&M efficiency ratio is not an accounting measure that is based on GAAP, may not be comparable to other companies' operating measures and should not be used in place of the GAAP information provided elsewhere in this report.

The following table provides the calculation of our adjusted O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of our adjusted O&M efficiency ratio:

	For the Twelve Months Ended September 30,	
(In millions)	**2018**	**2017**
Total operation and maintenance expenses (a)	$ 1,451	$ 1,377
Less:		
Operation and maintenance expenses—Market-Based Businesses	346	334
Operation and maintenance expenses—Other (a)	(40)	(40)
Total operation and maintenance expenses—Regulated Businesses (a)	1,145	1,083
Less:		
Regulated purchased water expenses	134	124
Allocation of non-operation and maintenance expenses	30	29
Impact of Freedom Industries settlement activities (b)	(20)	(22)
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,001	$ 952
Total operating revenues	$ 3,410	$ 3,338
Less:		
Pro forma adjustment for impact of the TCJA (c)	40	165
Total pro forma operating revenues	3,370	3,173
Less:		
Operating revenues—Market-Based Businesses	455	419
Operating revenues—Other	(22)	(23)
Total pro forma operating revenues—Regulated Businesses	2,937	2,777
Less:		
Regulated purchased water revenues (d)	134	124
Adjusted pro forma operating revenues—Regulated Businesses (ii)	$ 2,803	$ 2,653
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	35.7%	35.9%

NOTE The adjusted O&M efficiency ratio previously reported for the twelve months ended September 30, 2017 was 34.2%, which did not include the adjustments for the items discussed in footnotes (a) and (c) below.

(a) Includes the impact of the Company's adoption of ASU 2017-07 on January 1, 2018. See Note 2—Significant Accounting Policies in the Notes to the Consolidated Financial Statements for further discussion.

(b) Includes settlements with two of our general liability insurance carriers in connection with the Freedom Industries chemical spill.

(c) Includes the estimated impact of the TCJA on operating revenues for our Regulated Businesses for all periods presented prior to January 1, 2018, as if the lower federal corporate income tax rate was in effect for these periods. See Note 5—Regulatory Liabilities in the Notes to the Consolidated Financial Statements for further discussion.

(d) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

The following table provides annualized incremental revenues resulting from rate authorizations that became effective during the three and nine months ended September 30, 2018, for general rate cases and infrastructure surcharges, assuming a constant water sales volume:

(In millions)	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
General rate cases by state:		
Missouri (effective May 28, 2018)	$ —	$ 33
New York (effective April 1, 2018)	—	5
Pennsylvania (effective January 1, 2018)	—	62
Total general rate cases	$ —	$ 100
Infrastructure surcharges by state:		
Tennessee (effective April 10, 2018)	$ —	$ 1
Indiana (effective March 14, 2018)	—	7
Virginia (effective March 1, 2018)	—	1
Illinois (effective January 1, 2018)	—	3
West Virginia (effective January 1, 2018)	—	3
Total infrastructure surcharges	$ —	$ 15

On October 29, 2018, our New Jersey subsidiary received an order approving the settlement on its general rate case filing, authorizing additional annualized revenues of $40 million, effective as of June 15, 2018. The order included an authorized return on equity of 9.6% and a capital structure of 46% debt and 54% equity. The order approved the inclusion of $35 million of infrastructure surcharges in base rates and reset the Distribution System Investment Charge ("DSIC") mechanism back to zero. Also, the regulatory treatment of certain acquisition adjustments was remanded to the Office of Administrative Law for a separate proceeding, with resolution anticipated in the first quarter of 2019. As part of the order, our New Jersey customers will receive refunds for the amount of provisional rates implemented as of June 15, 2018 and collected that exceeds the final rate increase, plus interest.

On March 22, 2018, our California subsidiary received a decision on its cost of capital filing, authorizing for 2018 through 2020, a 9.20% return on equity, a 5.63% cost of debt and a capital structure of 44.61% debt and 55.39% equity. The decision also approved continuation of the annual adjustment mechanism which could potentially adjust the authorized cost of capital in 2019 or 2020.

Pending General Rate Case and Infrastructure Surcharge Filings

On October 26, 2018, our West Virginia subsidiary, the staff of the WVPSC and the Consumer Advocate Division filed a joint stipulation with the WVPSC with respect to our West Virginia subsidiary's general rate case and infrastructure surcharge filings. The joint stipulation would provide for $23 million in additional annualized revenues, based on a return on equity of 9.75%, including $4 million in base rates from 2017 and 2018 infrastructure surcharges. In addition, the joint stipulation agrees to offset the as-filed infrastructure surcharge revenue request for 2019 with our West Virginia subsidiary's amortization of excess deferred income taxes. The joint stipulation would also implement a customer lead service line replacement program, with recovery through an infrastructure surcharge. This joint stipulation is subject to the WVPSC's approval.

On September 14, 2018, our Indiana subsidiary filed a general rate case requesting $18 million and $21 million in additional annualized revenues in 2019 and 2020, respectively.

On August 20, 2018 our Missouri subsidiary filed for infrastructure surcharges requesting $7 million in additional annualized revenues.

On June 28, 2018, our Maryland subsidiary filed a general rate case requesting $2 million in additional annualized revenues.

Our California subsidiary filed a general rate case requesting $19 million in additional annualized revenues for 2018, and increases of $9 million and $8 million in the escalation year of 2019 and the attrition year of 2020, respectively. These requests have been adjusted to reflect the

reduction in the federal corporate income tax rate resulting from the TCJA and the impact of the recently approved cost of capital decision, as discussed above.

There is no assurance that all or any portion of these requests will be granted.

Tax Matters

Tax Cuts and Jobs Act

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, and certain other provisions related specifically to the public utility industry, including continuation of interest expense deductibility, the exclusion from utilizing bonus depreciation and the normalization of deferred income tax. The enactment of the TCJA required a re-measurement of our deferred income taxes that materially impacted our 2017 results of operations and financial position. The portion of this re-measurement related to our Regulated Businesses was substantially offset by a regulatory liability, as we believe it is probable that the deferred income tax excesses created by the TCJA will benefit our regulated customers in future rates. The remaining portion of this re-measurement of the net deferred income tax liability was recorded as a non-cash charge to earnings during the fourth quarter of 2017.

During the nine months ended September 30, 2018, our 14 regulatory jurisdictions began to consider the impacts of the TCJA. The Company has adjusted customer rates to reflect the lower income tax rate in eight states. In one state, a portion of the tax savings is being used to offset additional capital investment and to reduce certain regulatory assets. One additional state is using a portion of the tax savings to reduce certain regulatory assets. Proceedings in the other five jurisdictions remain pending. With respect to excess accumulated deferred income taxes, regulators in five states have agreed with the Company's overall timeline of passing the excess back to customers beginning no earlier than 2019, when the Company is able to produce the normalization schedule using the average rate assumption method. In one of those states we entered into a stipulated settlement that, if approved, would authorize the amortization of the re-measured deferred income taxes to offset future infrastructure investments.

On March 23, 2018, President Trump signed the Consolidated Appropriations Act of 2018 (the "Bill"). The Bill corrects and clarifies some aspects of the TCJA related to bonus depreciation eligibility. Specifically, property that was acquired, or the construction began prior to September 27, 2017, will be eligible for bonus depreciation. This clarification will allow the Company to benefit from additional bonus depreciation deductions resulting in a slight delay of when the Company expects to become a cash taxpayer for federal income tax purposes. We believe that we will likely begin paying federal income taxes in 2020, when we expect our federal NOL carryforwards will be fully utilized, and expect to be a full cash taxpayer by 2021, although this timing could be impacted by any significant changes in our future results of operations and the outcome of regulatory proceedings regarding the TCJA.

Other Tax Matters

On June 1, 2018, the State of Missouri enacted legislation that decreased the state income tax rate on our taxable income attributable to Missouri from 6.25% to 4.00%, beginning in the 2020 tax year. As a result, we were required to re-measure our cumulative deferred income tax balances using the lower state income tax rate in the second quarter of 2018. This resulted in a decrease to the Company's unitary deferred income tax liability of $12 million, and an increase to a regulatory liability of $13 million, as we believe it is probable of refund in future rates.

On May 30, 2018, the State of Iowa enacted legislation that decreased the state income tax rate on our taxable income attributable to Iowa from 12.0% to 9.8%, beginning in the 2021 tax year. The deferred income tax liability for our Iowa subsidiary was reduced by $1 million, and offset by a regulatory liability, as we believe it is probable of refund in future rates.

On April 13, 2018, the State of Kentucky enacted legislation that decreased the state income tax rate on our taxable income attributable to Kentucky from 6% to 5%, beginning in the 2018 tax year. In addition, beginning in the 2019 tax year, a consolidated return, including all affiliated group members, will be required. As a result, we were required to record a deferred income tax liability of $7 million for our Kentucky unitary filing group, and the existing deferred income tax liability related to our Kentucky subsidiary was reduced by $1 million, offset by a regulatory liability, as we believe it is probable of refund in future rates.

The Company performed its annual review of the apportionment rates in all of its unitary filing jurisdictions and implemented changes to reflect considerations for historical results and future business outlooks in each of the jurisdictions. As of September 30, 2018, we recorded a non-cash, cumulative charge to earnings of $3 million, resulting from the legislative changes described above and the adjustments made through various state income tax apportionment rates.

On July 1, 2018, the State of New Jersey enacted legislation that increased the corporate business tax rate from 9.0% to 11.5% for the 2018 and 2019 tax years, and to 10.5% for the 2020 and 2021 tax years. The tax rate will revert back to 9.0% for tax year 2022 and beyond. Additionally, the new legislation states that for the year beginning on and after January 1, 2019, a unitary group will be required to file a combined unitary New Jersey tax return. The legislation allows a deduction over a 10-year period, commencing five years after the enactment of unitary combined reporting, if the combined reporting provisions result in an aggregate increase to the net deferred income tax liability or an aggregated decrease to the net deferred income tax asset. Thus, the deferred income tax liability resulting from the unitary filing requirement would be completely offset by the deferred income tax asset derived from this deduction. There are no underlying impacts to the Company's earnings as a result of the new filing requirement. On October 4, 2018, New Jersey's governor signed a technical correction bill into law. The correction bill provides an exclusion for water and wastewater utility companies whose rates are regulated from the combined reporting requirement. The Company's tax credit granted by the State of New Jersey will not be impacted by the law changes mentioned above.

Legislative Updates

During 2018, our regulatory jurisdictions enacted legislation as follows:

- House File 2307 in Iowa and House Bill 1566 in Maryland allow a fair market value methodology to be included in rate base with respect to prospective acquisitions.

- Senate Enrolled Act 362 in Indiana, which, similar to the Water Quality Accountability Act enacted in New Jersey in 2017, sets new operational standards and requirements for water and wastewater treatment plants in areas such as capital asset management, cost-benefit analysis and cybersecurity.

- Senate Bill 705 in Missouri allows the Missouri Public Service Commission to approve a Revenue Stabilization Mechanism ("RSM") for water utilities. In an effort to encourage conservation, a RSM adjusts rates periodically to ensure that a utility's revenue will be sufficient to cover its costs, and customers will not overpay for service.

- Senate Bill 592 in Missouri changes the public vote requirement for the sale of a municipal water or wastewater system to a simple majority for more than 500 small towns. Historically, only larger communities required a simple majority, while smaller communities needed a two-thirds majority. This legislation increases the options for small towns, should they decide to address their water and sewer challenges through an asset sale.

- Legislation was passed in Iowa that allows private water utilities to use a future test year approach in rate cases, decreasing potential regulatory lag and helping to spread out the time between rate cases.

- In California, Assembly Bill 2179 changed the vote required to allow cities to sell sewer systems to a simple majority as compared to a two-thirds majority, and Assembly Bill 2339 allowed certain cities to sell water systems without an election.

- House Bill 1782 (known as Act 58 of 2018) in Pennsylvania allows public utilities to implement alternative rates and rate mechanisms in rate base proceedings. These alternative rates and rate mechanisms include, but are not limited to the following: revenue stabilization mechanisms, performance-based rates, formula rates, multi-year rate plans, or a combination of those mechanisms or other mechanisms. Petitions to establish alternative rate mechanisms are subject to PUC review and approval and can only be filed by a utility in a rate base proceeding.

- On October 23, 2018, President Trump signed America's Water Infrastructure Act of 2018. The legislation includes policies intended to improve water and wastewater system management and authorization for states to assess options for consolidation for systems that do not comply with the federal Safe Drinking Water Act and its rules and regulations. The legislation increases funding to water system funding programs, including the State Revolving Loan Fund program and the Water Infrastructure Finance and Innovation Act.

Condemnation and Eminent Domain

We are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California has submitted enough signatures to add a measure to the November 2018 election ballot asking voters to decide whether the local water management district should conduct a feasibility study concerning the potential purchase of our California subsidiary's Monterey water service, and, if feasible, to proceed with a purchase without an additional public vote. This service territory represents approximately 40,000 customers. A similar ballot measure introduced in 2014 involving this subsidiary's Monterey service district was defeated.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent

domain lawsuit against our Illinois subsidiary in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of $38 million for the pipeline. A jury trial will take place to establish the value of the pipeline. Although the date of this trial has not currently been scheduled, it is likely to commence in the second quarter of 2019.

Consolidated Results of Operations

The following table presents our consolidated results of operations and the ensuing discussions explain the material variances:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(In millions)								
Operating revenues	$ 976	$ 936	$ 40	4.3 %	$ 2,590	$ 2,536	$ 54	2.1 %
Operating expenses:								
Operation and maintenance	390	322	68	21.1 %	1,085	1,003	82	8.2 %
Depreciation and amortization	141	128	13	10.2 %	404	378	26	6.9 %
General taxes	71	61	10	16.4 %	210	192	18	9.4 %
Gain on asset dispositions and purchases	(18)	(7)	(11)	157.1 %	(20)	(9)	(11)	122.2 %
Impairment charge	57	—	57	100.0 %	57	—	57	100.0 %
Total operating expenses, net	641	504	137	27.2 %	1,736	1,564	172	11.0 %
Operating income	335	432	(97)	(22.5)%	854	972	(118)	(12.1)%
Other income (expenses):								
Interest, net	(89)	(89)	—	— %	(259)	(259)	—	— %
Non-operating benefit costs, net	5	(2)	7	(350.0)%	10	(7)	17	(242.9)%
Loss on extinguishment of debt	(2)	(6)	4	(66.7)%	(2)	(6)	4	(66.7)%
Other, net	6	5	1	20.0 %	14	11	3	27.3 %
Total other income (expenses)	(80)	(92)	12	(13.0)%	(237)	(261)	24	(9.2)%
Income before income taxes	255	340	(85)	(25.0)%	617	711	(94)	(13.2)%
Provision for income taxes	70	137	(67)	(48.9)%	164	284	(120)	(42.3)%
Consolidated net income	185	203	(18)	(8.9)%	453	427	26	6.1 %
Net loss attributable to noncontrolling interest	(2)	—	(2)	(100.0)%	(2)	—	(2)	(100.0)%
Net income attributable to common stockholders	$ 187	$ 203	$ (16)	(7.9)%	$ 455	$ 427	$ 28	6.6 %

Operating Revenues

For the three months ended September 30, 2018, operating revenues increased primarily due to a:

- $15 million net increase in our Regulated Businesses, including a $55 million increase principally from authorized rate increases, water and wastewater acquisitions, and organic growth, partially offset by a $40 million decrease in revenue from the impacts of the TCJA which have benefited or are expected to benefit our customers; and

- $25 million net increase in our Market-Based Businesses mainly from our Homeowner Services Group's acquisition of Pivotal on June 4, 2018, partially offset by the sale of the majority of our Contract Services Group's O&M contracts to subsidiaries of Veolia Environnement S.A. during the third quarter of 2018, and lower capital upgrades in our Military Services Group.

For the nine months ended September 30, 2018, operating revenues increased primarily due to a:

- $20 million net increase in our Regulated Businesses, including a $130 million increase principally from authorized rate increases, water and wastewater acquisitions, and organic growth, partially offset by a $110 million decrease in revenue from the impacts of the TCJA which have benefited or are expected to benefit our customers; and

- $33 million net increase in our Market-Based Businesses mainly from our Homeowner Services Group's contract growth and the acquisition of Pivotal, and in Keystone from market recovery in the shale natural gas industry, partially offset by the sale and expiration of O&M contracts in our Contract Services Group during 2018, and lower capital upgrades in our Military Services Group.

Operation and Maintenance

For the three months ended September 30, 2018, operation and maintenance expense increased primarily due to a:

- $56 million increase in our Regulated Businesses primarily from a $22 million benefit recorded in the third quarter of 2017, resulting from an insurance settlement related to the Freedom Industries chemical spill in West Virginia, and increases in purchased water and chemical prices and usage, employee-related costs and contracted services in support of the growth of the businesses and casualty insurance expense; and

- $12 million net increase in our Market-Based Businesses mainly from our Homeowner Services Group's acquisition of Pivotal on June 4, 2018, partially offset by the sale of the majority our Contract Services Group's O&M contracts during the third quarter of 2018, and lower capital upgrades in our Military Services Group.

For the nine months ended September 30, 2018, operation and maintenance expense increased primarily due to a:

- $68 million increase in our Regulated Businesses primarily from higher production costs due to increases in purchased water and chemical prices and usage, employee-related costs and contracted services mainly in support of the growth of the business, and maintenance materials and supplies, due to a higher volume of main breaks and paving expense during the first quarter of 2018; and

- $9 million increase in our Market-Based Businesses mainly from our Homeowner Services Group's contract growth and the acquisition of Pivotal, and in Keystone from market recovery in the shale natural gas industry, partially offset by the sale and expiration of O&M contracts in our Contract Services Group during 2018, and lower capital upgrades in our Military Services Group.

Depreciation and Amortization

For the three and nine months ended September 30, 2018, depreciation and amortization expense increased primarily due to additional utility plant placed in service.

General Taxes

For the three and nine months ended September 30, 2018, general taxes increased primarily due to incremental property taxes in several of our subsidiaries, including in Missouri, Pennsylvania and New York.

Gain on Asset Dispositions and Purchases

For the three and nine months ended September 30, 2018, gain on asset dispositions and purchases increased primarily due to the sale of 20 of our Contract Services Group's O&M contracts to subsidiaries of Veolia Environnement S.A. The sale agreement includes the transfer of 22 contracts in total, with the sale of the remaining two contracts expected to close by the end of 2018.

Impairment Charge

During the three months ended September 30, 2018, a goodwill and intangible asset impairment charge was recorded for Keystone, the result of operational and financial challenges encountered in the construction business, and the Company's determination to narrow the scope of the Keystone business, to focus on its core operations of providing water transfer services. See Note 6—Goodwill and Other Intangible Assets in the Notes to the Consolidated Financial Statements for further discussion.

Other Income (Expenses)

For the three and nine months ended September 30, 2018, other income (expenses) decreased primarily due to a reduction in the non-service cost components of pension and other postretirement benefits expense resulting from favorable actuarial performance, and an increase in allowance for funds used during construction attributable to higher capital investment in 2018. The presentation of net periodic benefit costs on the Consolidated Statements of Operations was changed pursuant the adoption and retrospective application of ASU 2017-07 on January 1, 2018. See Note 2—Significant Accounting Policies in the Notes to the Consolidated Financial Statements for additional information.

Provision for Income Taxes

For the three and nine months ended September 30, 2018, our provision for income taxes decreased mainly due to the reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, resulting from the enactment of the TCJA. In our Regulated Businesses, we expect the reduced tax rate will benefit our customers through established ratemaking, tax and regulatory normalization provisions. In our Military Services

Group, we received guidance on how to apply the TCJA to our contracts with the U.S. government and expect to return the majority of the benefits received from the lower income tax rate, effective January 1, 2018, as anticipated.

Segment Results of Operations

Our segments are determined based on how we assess performance and allocate our resources. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being net income attributable to common stockholders. The majority of our business is conducted through our Regulated Businesses reportable segment. We also operate several market-based businesses that provide a broad range of related and complementary water and wastewater services within four operating segments that individually do not meet the criteria of a reportable segment in accordance with GAAP. These four, non-reportable operating segments are collectively presented as our Market-Based Businesses, which is consistent with how management assesses the results of our businesses.

Regulated Businesses Segment

The following table summarizes certain financial information for our Regulated Businesses segment:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(In millions)								
Operating revenues	$ 857	$ 842	$ 15	1.8 %	$ 2,267	$ 2,247	$ 20	0.9 %
Operation and maintenance	314	258	56	21.7 %	856	788	68	8.6 %
Depreciation and amortization	128	121	7	5.8 %	373	357	16	4.5 %
General taxes	66	57	9	15.8 %	197	181	16	8.8 %
Other income (expenses)	(64)	(66)	2	(3.0)%	(191)	(201)	10	(5.0)%
Income before income taxes	288	347	(59)	(17.0)%	656	731	(75)	(10.3)%
Provision for income taxes	76	135	(59)	(43.7)%	173	285	(112)	(39.3)%
Net income attributable to common stockholders	213	212	1	0.5 %	484	446	38	8.5 %

Operating Revenues

The following tables summarize information regarding the main components of our Regulated Businesses' operating revenues and the ensuing discussions explain the material variances:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(In millions)								
Water services:								
Residential	$ 475	$ 473	$ 2	0.4 %	$ 1,253	$ 1,245	$ 8	0.6 %
Commercial	180	176	4	2.3 %	465	455	10	2.2 %
Industrial	40	37	3	8.1 %	105	104	1	1.0 %
Public and other	86	97	(11)	(11.3)%	251	265	(14)	(5.3)%
Total water services	781	783	(2)	(0.3)%	2,074	2,069	5	0.2 %
Wastewater services	41	36	5	13.9 %	117	106	11	10.4 %
Other (a)	35	23	12	52.2 %	76	72	4	5.6 %
Total operating revenues	$ 857	$ 842	$ 15	1.8 %	$ 2,267	$ 2,247	$ 20	0.9 %

(a) Includes revenues associated with provisional rates, miscellaneous utility charges, alternative revenue programs and lease contracts.

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(Gallons in millions)								
Billed water services volumes:								
Residential	52,963	53,928	(965)	(1.8)%	131,201	131,488	(287)	(0.2)%
Commercial	24,914	24,913	1	— %	62,428	61,793	635	1.0 %
Industrial	10,752	10,661	91	0.9 %	29,647	29,218	429	1.5 %
Public and other	14,504	15,085	(581)	(3.9)%	38,427	38,920	(493)	(1.3)%
Billed water services volumes	103,133	104,587	(1,454)	(1.4)%	261,703	261,419	284	0.1 %

For the three months ended September 30, 2018, operating revenues increased primarily due to a:

- $53 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; and
- $5 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; partially offset by a
- $40 million decrease from the impacts of the TCJA which have or are expected to benefit our customer rates. This decrease is primarily made up of two components: (i) a reserve on revenue billed during the third quarter of 2018, for the estimated income tax savings resulting from the TCJA, which is expected to benefit our customers in future rates; and (ii) rate adjustments made in certain subsidiaries where our Regulators have authorized an approach to pass the benefits from the lower income tax rate to our customers, or offset other regulatory assets or capital investments; and
- $4 million decrease in other operating revenue, primarily in our New Jersey and New York subsidiaries.

For the nine months ended September 30, 2018, operating revenues increased primarily due to a:

- $103 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states;
- $18 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; and
- $7 million increase from higher water services demand, primarily in our California subsidiary; partially offset by a
- $110 million decrease from the impacts of the TCJA which have or are expected to benefit our customer rates. This decrease is primarily made up of two components: (i) a reserve on revenue billed during the first nine months of 2018, for the estimated income tax savings resulting from the TCJA, which is expected to benefit our customers in future rates; and (ii) rate adjustments made in certain subsidiaries where our Regulators have authorized an approach to pass the benefits from the lower income tax rate to our customers, or offset other regulatory assets or capital investments.

Operation and Maintenance

The following table summarizes information regarding the main components of our Regulated Businesses' operation and maintenance expense and the ensuing discussions explain the material variances:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(In millions)								
Production costs	$ 92	$ 87	$ 5	5.7 %	$ 238	$ 224	$ 14	6.3%
Employee-related costs	116	108	8	7.4 %	343	322	21	6.5%
Operating supplies and services	60	51	9	17.6 %	161	150	11	7.3%
Maintenance materials and supplies	17	15	2	13.3 %	56	49	7	14.3%
Customer billing and accounting	17	14	3	21.4 %	43	37	6	16.2%
Other	12	(17)	29	(170.6)%	15	6	9	150.0%

Total	$ 314	$ 258	$ 56	21.7 %	$ 856	$ 788	$ 68	8.6%

For the three months ended September 30, 2018, operation and maintenance expense increased primarily due to a:

- $5 million increase in production costs from purchased water price and usage increases in our California subsidiary, along with an increase in chemical costs and usage, the result of wet weather conditions;
- $8 million increase in employee-related costs due to higher compensation expense and headcount in support of the growth of the businesses;
- $9 million increase in operating supplies and services related to a settlement agreement in our New York subsidiary to provide prompt rate relief and other benefits to our customers (see Part II, Item 1A—Risk Factors for additional information), along with costs associated with condemnation proceedings in Monterey, California, and higher contracted services;
- $3 million increase in customer billing and accounting from an increase in customer uncollectible expense and higher call volumes experienced at our customer service centers; and
- $29 million increase in other operation and maintenance expense from a $22 million benefit recorded in the third quarter of 2017, resulting from an insurance settlement related to the Freedom Industries chemical spill in West Virginia, as well as higher casualty insurance expense.

For the nine months ended September 30, 2018, operation and maintenance expense increased primarily due to a:

- $14 million increase in production costs from purchased water price and usage increases in our California subsidiary, along with price and usage increases for chemicals, the result of wet weather conditions, and an increase in waste disposal costs in several of our subsidiaries;
- $21 million increase in employee-related costs due to higher compensation expense and headcount in support of the growth of the business, as well as an increase in overtime related to a higher volume of main breaks during the first quarter of 2018, the result of harshly frigid weather in the Midwest, Northeast and parts of the Mid-Atlantic;
- $11 million increase in operating supplies and services related to a settlement agreement in our New York subsidiary to provide prompt rate relief and other benefits to our customers (see Part II, Item 1A—Risk Factors for additional information), along with costs associated with condemnation proceedings in Monterey, California, along with higher contracted services, mainly for legal and technology support services;
- $7 million increase in maintenance materials and supplies due to a higher volume of main breaks and paving expense in the first quarter of 2018, driven by the colder weather experienced;
- $6 million increase in customer billing and accounting from an increase in customer uncollectible expense and higher call volumes experienced at our customer service centers; and
- $9 million increase in other operation and maintenance expense due to lower casualty insurance expense in 2017.

Depreciation and Amortization

For the three and nine months ended September 30, 2018, depreciation and amortization increased primarily due to additional utility plant placed in service.

General Taxes

For the three and nine months ended September 30, 2018, general taxes increased primarily due to incremental property taxes in several of our subsidiaries, including in Missouri, Pennsylvania and New York.

Other Income (Expenses)

For the three and nine months ended September 30, 2018, other income (expenses) decreased primarily due to a reduction in the non-service cost components of pension and other postretirement benefits expense resulting from favorable actuarial performance, and an increase in allowance for funds used during construction attributable to higher capital investment in 2018, partially offset by an increase in interest expense from the issuance of incremental long-term debt in the third quarter of 2018, and higher levels of short-term borrowings during 2018, coupled with an increase in the average short-term borrowing rate in the current year.

Provision for Income Taxes

For the three and nine months ended September 30, 2018, our provision for income taxes decreased primarily due to the reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, resulting from the enactment of the TCJA. We expect the reduced tax rate will benefit our customers through established ratemaking, tax and regulatory normalization provisions.

Market-Based Businesses

The following table summarizes certain financial information for our Market-Based Businesses and the ensuing discussions explain the material variances:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2018	2017	Increase (Decrease)		2018	2017	Increase (Decrease)	
(In millions)								
Operating revenues	$ 125	$ 100	$ 25	25.0 %	$ 339	$ 306	$ 33	10.8 %
Operation and maintenance	87	75	12	16.0 %	256	247	9	3.6 %
Gain on asset dispositions and purchases	(14)	—	(14)	(100.0)%	(13)	—	(13)	(100.0)%
Impairment charge	57	—	57	100.0 %	57	—	57	100.0 %
Income before income taxes	(14)	21	(35)	(166.7)%	20	46	(26)	(56.5)%
Provision for income taxes	(5)	7	(12)	(171.4)%	4	17	(13)	(76.5)%
Net income attributable to common stockholders	(7)	14	(21)	(150.0)%	18	29	(11)	(37.9)%

Operating Revenues

For the three months ended September 30, 2018, operating revenues increased primarily due to a:

- $32 million increase in our Homeowner Services Group from the acquisition of Pivotal on June 4, 2018; partially offset by a
- $5 million decrease in our Contract Services Group from the sale of the majority of our O&M contracts to subsidiaries of Veolia Environnement S.A. during the third quarter of 2018; and
- $4 million decrease in our Military Services Group from lower capital upgrades, largely driven by reduced military base budgets.

For the nine months ended September 30, 2018, operating revenues increased primarily due to a:

- $40 million increase in our Homeowner Services Group from the acquisition of Pivotal and contract growth; and
- $13 million increase in Keystone from market recovery in the shale natural gas industry; partially offset by a
- $13 million decrease in our Military Services Group from lower capital upgrades, as discussed above; and
- $10 million decrease in our Contract Services Group from the sale of the majority of our O&M contracts during the third quarter of 2018, and the expiration of certain contracts during 2018.

Operation and Maintenance

For the three months ended September 30, 2018, operation and maintenance expense increased primarily due to a:

- $20 million increase in our Homeowner Services Group from the acquisition of Pivotal and higher employee expense in support of the growth of the businesses; partially offset by a
- $6 million decrease in our Contract Services Group from the sale of the majority of our O&M contracts during the third quarter of 2018; and
- $5 million decrease in our Military Services Group from lower capital upgrades, largely driven by reduced military base budgets.

For the nine months ended September 30, 2018, operation and maintenance expense increased primarily due to a:

- $18 million increase in our Homeowner Services Group from the acquisition of Pivotal and higher employee expense in support of the growth of the business, offset in part by lower claims expense driven by operational efficiencies gained through improved planning and relationship management of key contractor partnerships; and

- $14 million increase in Keystone from market recovery in the shale natural gas industry; partially offset by a
- $13 million decrease in our Military Services Group from lower capital upgrades, as discussed above; and
- $12 million decrease in our Contract Services Group from the sale of the majority of our O&M contracts, as discussed above, and the expiration of certain contracts during 2018.

Gain on Asset Dispositions and Purchases

For the three and nine months ended September 30, 2018, gain on asset dispositions and purchases increased due to the sale of 20 of our Contract Services Group's O&M contracts. The sale agreement includes the transfer of 22 contracts in total, with the sale of the remaining two contracts expected to close by the end of 2018.

Impairment Charge

During the three months ended September 30, 2018, a goodwill and intangible asset impairment charge was recorded for Keystone, the result of operational and financial challenges encountered in the construction business, and the Company's determination to narrow the scope of the Keystone business, to focus on its core operations of providing water transfer services. See Note 6—Goodwill and Other Intangible Assets in the Notes to the Consolidated Financial Statements for further discussion.

Provision for Income Taxes

For the three and nine months ended September 30, 2018, our provision for income taxes decreased primarily due to the reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018, resulting from the enactment of the TCJA.

Liquidity and Capital Resources

For a general overview of our sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in our Form 10-K.

We fund liquidity needs for capital investment, working capital and other financial commitments through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. On March 21, 2018, AWCC and certain lenders amended and restated the credit agreement with respect to AWCC's revolving credit facility to increase the maximum commitments under the facility from $1.75 billion to $2.25 billion, and to extend the expiration date of the facility from June 2020 to March 2023. The facility is used principally to support AWCC's commercial paper program and to provide a sub-limit of up to $150 million for letters of credit. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million, and to request extensions of its expiration date for up to two, one-year periods. As of September 30, 2018, AWCC had no outstanding borrowings and $88 million of outstanding letters of credit under the revolving credit facility, with $2.16 billion available to fulfill our short-term liquidity needs and to issue letters of credit. We regularly evaluate the capital markets and closely monitor the financial condition of the financial institutions with contractual commitments in our revolving credit facility.

In order to meet our short-term liquidity needs, we, through AWCC, issue commercial paper, which is supported by our revolving credit facility. On March 21, 2018, AWCC increased the maximum aggregate principal amount of short-term borrowings authorized for issuance under its commercial paper program from $1.60 billion to $2.10 billion. As of September 30, 2018, the revolving credit facility supported $564 million in outstanding commercial paper. We believe that our ability to access the capital markets, our revolving credit facility and our cash flows from operations will generate sufficient cash to fund our short-term requirements. However, we can provide no assurances that the lenders will meet their existing commitments to AWCC under the revolving credit facility, or that we will be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all.

On August 9, 2018, AWCC completed a $1.325 billion debt offering which included the sale of $625 million aggregate principal amount of its 3.75% Senior Notes due in 2028, and $700 million aggregate principal amount of its 4.20% Senior Notes due in 2048. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $1.3 billion. AWCC used proceeds from the offering to: (i) lend funds to American Water and its regulated operating subsidiaries; (ii) repay $191 million principal amount of AWCC's 5.62% Senior Notes due 2018 upon maturity on December 21, 2018; (iii) prepay $100 million aggregate principal amount of AWCC's outstanding 5.62% Series E Senior Notes due March 29, 2019 (the "Series E Notes") and $100 million aggregate principal amount of AWCC's outstanding 5.77% Series F Senior Notes due March 29, 2022 (the "Series F Notes", and, together with the Series E Notes, the "Series Notes"); (iv) repay AWCC's commercial paper obligations and for general corporate purposes.

As a result of AWCC's prepayment of the Series Notes, a make-whole premium of $10 million was paid to the holders thereof on September 11, 2018. Substantially all of the early debt extinguishment costs were allocable to our utility subsidiaries and recorded as regulatory assets, as we believe they are probable of recovery in future rates.

On August 6, 2018, we terminated four forward starting swap agreements with an aggregate notional amount of $400 million, realizing a net gain of $9 million, to be amortized through interest, net over 10 and 30 year periods, in correlation with the terms of the new debt issued on August 9, 2018.

On August 17, 2018, we entered into two forward starting swap agreements, each with a notional amount of $80 million, to reduce interest rate exposure on debt expected to be issued in 2019. These forward starting swap agreements terminate in August 2019, and have an average fixed rate of 2.98%. On October 11, 2018, we entered into two additional forward starting swap agreements, each with a notional amount of $100 million, to reduce interest rate exposure on debt expected to be issued in 2019. These forward starting swap agreements terminate in December 2019, and have an average fixed rate of 3.31%. We have designated these forward starting swap agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

On April 11, 2018, we effected an equity forward transaction by entering into a forward sale agreement with each of two forward purchasers in connection with a public offering of 2,320,000 shares of our common stock. In the equity forward transaction, the forward purchasers, or an affiliate, borrowed an aggregate of 2,320,000 shares of our common stock from third parties and sold them to the underwriters in the public offering. On June 7, 2018, we elected to fully and physically settle both forward sale agreements, resulting in the issuance of a total of 2,320,000 shares of our common stock at a price of $79.01 per share, for aggregate net proceeds of $183 million. The net proceeds of the transaction were used to finance a portion of the purchase price of the Pivotal acquisition on June 4, 2018.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the third quarter of each fiscal year. The following table provides a summary of the major items affecting cash flows provided by our operating activities:

	For the Nine Months Ended September 30,	
	2018	2017
(In millions)		
Net income	$ 455	$ 427
Add (less):		
Depreciation and amortization	404	378
Deferred income taxes and amortization of investment tax credits	142	264
Non-cash impairment charge	57	—
Other non-cash activities (a)	48	17
Changes in working capital (b)	(61)	(8)
Pension and post-retirement healthcare contributions	(11)	(36)
Impact of Freedom Industries settlement activities	(40)	(22)
Net cash flows provided by operations	$ 992	$ 1,020

(a) Includes provision for losses on accounts receivable, gain on asset dispositions and purchases, pension and non-pension post-retirement benefits expense and other non-cash, net. Details of each component can be found in the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net.

For the nine months ended September 30, 2018, cash flows from operating activities decreased $28 million compared to the same period in 2017, primarily due to the change in deferred income taxes from the lower tax rates in 2018, changes in working capital and the impact of the Freedom Industries settlement activities. The change in working capital was primarily the result of the following: (i) an increase in accounts receivable, net due to increased revenues compared to the same period in the prior year; and (ii) a decrease in unbilled revenues as a result of our Military Services Group achieving significant capital project milestones during 2017. The main factors contributing to the net income increase are described in this section under “Consolidated Results of Operations” and included higher operating revenue and a lower provision for income taxes.

Cash Flows Used in Investing Activities

The following table provides information regarding cash flows used in our investing activities:

	For the Nine Months Ended September 30,	
	2018	2017
(In millions)		
Net capital expenditures	$ (1,136)	$ (964)
Acquisitions	(381)	(10)
Other investing activities, net (a)	(28)	(42)
Net cash flows used in investing activities	$ (1,545)	$ (1,016)

(a) Includes removal costs from property, plant and equipment retirements, net, and proceeds from sale of assets and securities.

For the nine months ended September 30, 2018, cash used in investing activities increased primarily due to continued investment across all infrastructure categories, mainly replacement and renewal of transmission and distribution infrastructure in our Regulated Businesses, and increased cash used for acquisitions, primarily related to the Pivotal acquisition, which closed on June 4, 2018. We expect to make total investments in the range of $2.0 billion to $2.1 billion in 2018 for capital expenditures and acquisitions, including the estimated $365 million used for the Pivotal acquisition. Construction of our new corporate headquarters building in Camden, New Jersey is underway, and is expected to be completed by the end of 2018. The cost of construction is currently estimated to be up to $164 million, exclusive of any tax incentives, of which $79 million is expected to be incurred in 2018. During the nine months ended September 30, 2018, we spent approximately $63 million towards this construction.

Cash Flows Provided by Financing Activities

The following table provides information regarding cash flows provided by our financing activities:

	For the Nine Months Ended September 30,	
	2018	2017
(In millions)		
Proceeds from long-term debt	$ 1,355	$ 1,382
Repayments of long-term debt	(330)	(334)
Net proceeds from short-term borrowings	(341)	(746)
Proceeds from issuance of common stock	183	—
Make-whole premium on early debt redemption	(10)	(34)
Dividends paid	(237)	(215)
Anti-dilutive stock repurchases	(45)	(54)
Other financing activities, net (a)	11	20
Net cash flows provided by financing activities	$ 586	$ 19

(a) Includes proceeds from issuances of common stock under various employee stock plans and our dividend reinvestment plan, advances and contributions for construction, net of refunds, and taxes paid related to employee stock plans.

For the nine months ended September 30, 2018, the increase in cash flows provided by financing activities, as compared to the same period in 2017, is primarily due to the issuance of common stock to finance a portion of the purchase price of the Pivotal acquisition and a decrease in cash used for short-term borrowings. Short-term borrowings for the nine months ended September 30, 2018 were used to fund the growth of our Regulated Businesses, finance a portion of the Pivotal acquisition, pay dividends and repay long-term debt, offset by the use of the $1.3 billion long-term debt issuance to partially repay short-term borrowings.

Credit Facilities and Short-Term Debt

The following table summarizes information regarding our aggregate credit facility commitments, letter of credit sub-limits and available funds under those revolving credit facilities, as well as outstanding amounts of commercial paper and outstanding borrowings under the respective facilities as of September 30, 2018:

(In millions)	Credit Facilities Commitment (a)	Available Credit Facility Capacity (a)	Letter of Credit Sublimit	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
September 30, 2018	$ 2,262	$ 2,172	$ 150	$ 62	$ 2,100	$ 1,536

(a) Includes amounts related to the revolving credit facility of Keystone. As of September 30, 2018, the total commitment under the Keystone revolving credit facility was $12 million, of which $9 million was available for borrowing, subject to compliance with a collateral base calculation. At September 30, 2018, there were no outstanding borrowings under this credit facility.

The weighted-average interest rate on AWCC short-term borrowings for the three months ended September 30, 2018 and 2017 was approximately 2.39% and 1.38%, respectively. The weighted-average interest rate on AWCC short-term borrowings for the nine months ended September 30, 2018 and 2017 was approximately 2.22% and 1.19%, respectively.

Debt Covenants

Our debt agreements contain financial and non-financial covenants. To the extent that we are not in compliance with these covenants, an event of default may occur under one or more debt agreements and we or our subsidiaries may be restricted in our ability to pay dividends, issue new debt or access our revolving credit facility. Our long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Our failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require us to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On September 30, 2018, our ratio was 0.59 to 1.00 and therefore we were in compliance with the covenants.

Security Ratings

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

The following table presents our long-term and short-term credit rating and rating outlook as of September 30, 2018:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating Outlook	Negative	Stable
Senior unsecured debt	A3	A
Commercial paper	P-2	A-1

On June 11, 2018, Standard & Poor's Ratings Service affirmed the Company's long-term 'A' and short-term 'A-1' credit ratings, with a stable outlook remaining unchanged.

On January 19, 2018, Moody's Investors Service changed its rating outlook to negative, from stable, for 24 regulated utilities and utility holding companies, including the Company, all of which were primarily impacted by the enactment of the TCJA.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the

assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon our ability to generate cash flows in an amount sufficient to service our debt and meet our investment plans. We can provide no assurances that our ability to generate cash flows is sufficient to maintain our existing ratings. None of our borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under our credit facility.

Dividends

On September 4, 2018, we paid a cash dividend of $0.455 per share to our stockholders of record as of August 10, 2018.

On October 30, 2018, our Board of Directors declared a quarterly cash dividend payment of $0.455 per share, payable on December 4, 2018, to stockholders of record as of November 12, 2018. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends in our Form 10-K for more information regarding restrictions on the payment of dividends on our common stock.

Application of Critical Accounting Policies and Estimates

Our financial condition, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in our Form 10-K for a discussion of our critical accounting policies. Additionally, see Note 2—Significant Accounting Policies and Note 3—Revenue Recognition in the Notes to the Consolidated Financial Statements for updates to our significant accounting policies previously disclosed in our Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of our exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in our Form 10-K. Except as described below, there have been no significant changes to our exposure to market risk since December 31, 2017.

On August 17, 2018, we entered into two forward starting swap agreements, each with a notional amount of $80 million, to reduce interest rate exposure on debt expected to be issued in 2019. These forward starting swap agreements terminate in August 2019, and have an average fixed rate of 2.98%. The fair value of the forward starting swaps at September 30, 2018 was a gain position of $5 million. A hypothetical 1% adverse change in interest rates would result in a decrease in the fair value of our forward starting swaps of approximately $25 million at September 30, 2018.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Our management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2018.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2018, our disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

On June 4, 2018, the Company completed the acquisition of Pivotal. See Note 4—Acquisitions and Divestitures in the Notes to the Consolidated Financial Statements for additional information. We began to integrate Pivotal into our internal control over financial reporting structure and expect to complete this integration in 2019. We concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended September 30, 2018, other than changes resulting from the acquisition of Pivotal, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in our Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2018 and June 30, 2018 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in our Form 10-K.

Alternative Water Supply in Lieu of Carmel River Diversions

On May 4, 2018, California-American Water Company, our wholly owned subsidiary ("Cal Am"), notified the Monterey Peninsula Water Management District ("MPWMD") and the California State Water Resources Control Board (the "SWRCB") that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order, triggering a 60-day meet and confer period prior to commencement of any action concerning the conflicting interpretations. Having held two meetings previously, the parties have agreed to meet and confer again in December 2018. Any failure to follow MPWMD's resolution or the SWRCB's written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Regional Desalination Project Litigation

On September 21, 2018, RMC Water and Environmental, a private engineering and consulting firm and a party to the consolidated action associated with the failure of the original regional desalination project, filed a motion for judgment on the pleadings as to Cal Am's fifth amended complaint. On September 24, 2018, Cal Am filed a motion for summary judgment against Marina Coast Water District ("MCWD") as to MCWD's claim based on promissory estoppel contained in MCWD's fourth amended complaint. These motions remain pending. Trial in the consolidated action remains set for March 25, 2019 in San Francisco County Superior Court.

Monterey Peninsula Water Supply Project

Approval of CPCN for Water Supply Project

On August 13, 2018, the California Public Utilities Commission (the "CPUC") issued its proposed decision granting Cal Am's request for a certificate of public convenience and necessity ("CPCN") for a 6.4 million gallon per day desalination plant in Monterey, California, certifying its final environmental impact report and denying all other outstanding motions. On September 13, 2018, the CPUC unanimously adopted a final decision (i) affirming its findings that the Water Supply Project meets the CPUC's requirements for a CPCN, and (ii) finding that (a) the issuance of the final decision should not be delayed, and (b) an additional procedural phase was not necessary to consider alternative projects. The CPUC's decision directs Cal Am to enter into negotiations regarding expansion of a groundwater replenishment project (the "GWR Project") between the Monterey Regional Water Pollution Control Agency and the MPWMD and to indicate whether Cal Am plans to file an application for approval of an agreement to purchase additional water from the GWR Project. The decision notes, however, that the CPUC will only consider such an application if the Water Supply Project is delayed such that Cal Am would not be able to meet the December 31, 2021 deadline to comply with the 2009 Order. The decision accepts Cal Am's estimates of future water demand in Monterey and concludes that the Water Supply Project is the best project to address those needs, and also adopts Cal Am's most recent cost estimates. The decision also allows Cal Am to earn an allowance for funds used during construction, or AFUDC, at a rate representative of its actual financing costs. The final decision adopted frameworks as to cost caps, O&M costs, financing, ratemaking and contingency matters.

In addition, the CPUC final decision imposes numerous reporting and filing requirements to ensure the expenditures for the Water Supply Project are reasonable, including that the financing is the lowest cost and most beneficial for ratepayers, and that construction is progressing in a timely manner and within the authorized cost caps. The reasonableness of Water Supply Project costs will be reviewed in the first general rate case filed by Cal Am after the Water Supply Project becomes operational. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service.

Cal Am must file a notice with the CPUC by November 27, 2018 indicating that it accepts the terms of the CPUC's final decision.

On October 12, 2018, MCWD and the City of Marina filed petitions for writ of review with the California Supreme Court challenging the CPUC's final decision. These petitions remain pending.

Coastal Development Permit Application

On June 22, 2018, Cal Am submitted a coastal development permit application to the City of Marina for those project components of the Water Supply Project located within the City of Marina's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. On August 9, 2018, the City deemed Cal Am's application incomplete pending certification and submission of the final environmental impact report, and stated that the City could not rule on the permit until certification. The CPUC certified the final environmental impact report for the Water Supply Project on September 13, 2018.

On August 30, 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission's agenda for its September 13, 2018 meeting. The proposed amendments would change zoning at the Cemex site to open space and restrict future uses, including with respect to Cal Am's planned use of the site for the slant wells for the Water Supply Project. Any change to the City's local coastal program must ultimately be approved by the California Coastal Commission (the "Coastal Commission"). Cal Am, Cemex and the Coastal Commission each submitted letters opposing the proposed amendments. At the September 13, 2018 meeting, the Planning Commission continued the matter to an unspecified future date.

* * *

Based on the foregoing, Cal Am estimates that the earliest date by which the Water Supply Project desalination plant could be completed is sometime in 2021. There can be no assurance that the Water Supply Project will be completed on a timely basis, if ever. Furthermore, there can be no assurance that Cal Am will be able to comply with the diversion reduction requirements and other remaining requirements under the 2009 Order and the 2016 Order, or that any such compliance will not result in material additional costs or obligations to Cal Am or the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On July 31, 2018, WVAWC filed a motion to dismiss the Lincoln County (West Virginia) Commission's (the "LCC") complaint. On September 21, 2018, the Mass Litigation Panel heard arguments on this motion. This motion remains pending.

On September 28, 2018, the Mass Litigation Panel entered an order dismissing all of its pending cases except for two, one of which was the LCC's complaint.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in our Form 10-K, and in our other public filings, which could materially affect our business, financial condition or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in our Form 10-K, other than as set forth below:

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Water and wastewater utilities, including our regulated subsidiaries and our Market-Based Businesses, have a large direct and indirect customer base and as a result are exposed to public criticism regarding, among other things, the reliability of their water, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory or other oversight and more stringent regulatory or economic requirements.

New York American Water Company, Inc. ("NYAW") has been the subject of a New York State Public Service Commission ("NYSPSC") investigation related to the unintentional provision of incorrect data to a taxing authority that resulted in an over-assessment of real property taxes. NYAW self-reported this issue to the NYSPSC promptly after NYAW's senior leadership became aware of it. Neither NYAW nor any of its employees received any financial benefit as a result of this matter, as all customer overpayments were provided to the local taxing authorities. These errors resulted in the over-recovery by NYAW of an estimated $0.3 million in cumulative real property tax overpayments from approximately 4,400 of its customers. The NYSPSC investigation also related to the failure of a few employees working on NYAW's 2016 general rate case to properly disclose these issues in that rate case. On August 9, 2018, the NYSPSC ordered NYAW to refund $0.3 million to the affected customers and reset customer real property values to further reduce customer bills.

On August 28, 2018, the NYSPSC and the New York State Department of Public Service (the "NYSDPS") filed a verified petition for injunctive relief against NYAW in the Supreme Court of the State of New York, Albany County. In addition to the allegations covered by the NYSPSC's investigation, the verified petition alleged that NYAW failed to provide its customers with adequate notice of a change in its rate schedule and also noted that as of August 27, 2018, NYAW had received approximately 1,344 complaints relating to allegedly high water bills. That same day, the parties entered into a Consent and Stipulation agreeing to settle all of the causes of action in the verified petition. The court approved the settlement on September 11, 2018, and NYAW is cooperating with the NYSDPS to implement its terms.

As part of the settlement, and in addition to the refund ordered by the NYSPSC on August 9, 2018, NYAW has agreed that it would provide up to $4.5 million to benefit NYAW customers through several different mechanisms, which amounts would not be recoverable in rates. NYAW also has agreed to accelerate the timing of the payment of approximately $6.4 million in aggregate customer credits. Finally, NYAW has agreed to engage and cooperate with up to two independent monitors, at NYAW's expense (up to $0.5 million), through September 30, 2021, and to review matters described in the verified petition, including the implementation of process improvements and control recommendations described in the NYSPSC's staff reports. While the settlement resolves the NYSPSC's investigation involving NYAW and those matters set forth in the verified petition, there can be no assurance that NYAW will not be subject to additional federal, state or local proceedings regarding these and other related matters, and these proceedings could result in increased oversight and civil, administrative and/or criminal sanctions, which may have a material adverse effect upon our reputation and perception.

Unfavorable regulatory and economic outcomes also may include the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our agreements related to our Market-Based Businesses, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

We have recorded a significant amount of goodwill, and we may never realize the full value of our intangible assets, causing us to record impairments that may negatively affect our results of operations.

Our total assets include $1.4 billion of goodwill at December 31, 2017, and $1.6 billion of goodwill at September 30, 2018. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003, the acquisition of E'town Corporation by a predecessor to our previous owner in 2001, the acquisition of Pivotal in 2018 and, to a lesser extent, the acquisition of Keystone in 2015. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, we have taken significant non-cash charges to operating results for goodwill impairments in the past.

We may be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance or the performance of an acquired business. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or, with respect to Keystone, fluctuations in the level of exploration and production activities in the Marcellus and Utica shale regions served by Keystone, a prolonged depression of natural gas prices or other factors that negatively impact our current or future forecasts of operating results, cash flows or key assumptions. In this regard, in the third quarter of 2018, we strategically narrowed the scope of the Keystone business solely to water transfer services due to operational and financial challenges in the other businesses of Keystone. As a result of this strategic change, we recorded a non-cash, pre-tax impairment charge of $57 million in the third quarter of 2018 related to Keystone. See Note 6—Goodwill and Other Intangible Assets in the Notes to the Consolidated Financial Statements for further information.

A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill would result in a charge to income in the period in which the impairment occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

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

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of its common stock during the three months ended September 30, 2018. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through September 30, 2018, the Company repurchased an aggregate of 4,510,000 shares of its common stock under the program, leaving an aggregate of 5,490,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
4.1	Officers' Certificate of American Water Capital Corp., dated August 9, 2018, establishing the terms of its 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.2	Officers' Certificate of American Water Capital Corp., dated August 9, 2018, establishing the terms of its 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
10.1	First Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on December 7, 2017, effective as of August 5, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
*10.2	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019.
*31.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
*101	The following financial statements from American Water Works Company, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, filed with the Securities and Exchange Commission on October 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Stockholders' Equity; and (vi) the Notes to Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 31st day of October, 2018.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

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Section 2: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

AMERICAN WATER WORKS COMPANY, INC.
AND ITS DESIGNATED SUBSIDIARIES
2017 NONQUALIFIED EMPLOYEE STOCK PURCHASE PLAN

(as amended and restated as of February 5, 2019)

The purpose of this American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan is to provide Eligible Employees of AWW and its Subsidiaries an opportunity to purchase shares of Stock of AWW. The Board of Directors of AWW believes that employee stock ownership will benefit both Eligible Employees and AWW's stockholders. The Plan is not intended to qualify as an "Employee Stock Purchase Plan," as set forth in section 423 of the Code. All capitalized terms shall have the meaning set forth for such term under Article I below.

ARTICLE I
DEFINITIONS

Section 1.01 "*Applicable Holding Period*" means, subject to Section 5.05 below, the six (6) month period following the Purchase Date during which a Participant is required to hold any shares of Stock purchased on his or her behalf pursuant to the Plan; provided, however, in the event of a Participant's death, the Applicable Holding Period shall be deemed satisfied as of the Participant's date of death.

Section 1.02 "*AWW*" means American Water Works Company, Inc.

Section 1.03 "*Board of Directors*" means the Board of Directors of AWW.

Section 1.04 "*Code*" means the Internal Revenue Code of 1986, as amended.

Section 1.05 "*Committee*" means the committee appointed by the Board of Directors to administer the Plan, as provided in Section 5.04 below.

Section 1.06 "*Compensation*" means a Participant's base wages, exclusive of overtime pay, commissions, bonuses, premium pay, shift differential pay, any compensation reductions made in connection with plans described in sections 401(k), 125 or 132(f)(4) of the Code, and any other extraordinary remuneration, as determined by the Committee, or its delegate

Section 1.07 "*Effective Date*" shall mean February 5, 2019, the effective date of the amendment and restatement of the Plan. The "*Original*

Effective Date" is August 5, 2017.

Section 1.08 "*Election Date"* means the first day of the month of each calendar quarter or such other dates as the Committee shall specify. The first Election Date for the Plan shall be the Original Effective Date.

Section 1.09 "*Eligible Employee*"

(a) Subject to Section 1.09(b) and Section 1.09(c) below, the term "Eligible Employee" includes each employee, including a part-time employee, of the Employer.

(b) Notwithstanding Section 1.09(a) above, the term "Eligible Employee" shall not include:

(i) an employee who is classified by the Committee, or its delegate, as a temporary employee or leased employee;

(ii) with respect to any Purchase Period, an employee who terminates employment, dies or is determined to be disabled prior to the applicable Purchase Date;

(iii) unless the Committee specifically designates otherwise as set forth in Section 1.21 below, an employee who is employed by a non-U.S. subsidiary;

(iv) an employee who has been determined by the Board of Directors to be an "officer," as such term is defined in Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934, as amended, as such rule may be in effect from time to time, with respect to AWW; or

(v) an employee who owns stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Employer, which shall be determined by applying rules consistent with those reflected in section 423(b)(3) of the Code, which would otherwise apply if the Plan were intended to be a qualified employee stock purchase plan.

(c) Notwithstanding anything herein to the contrary, if an employee's status changes during the Purchase Period, but such change in status is not otherwise discovered or brought to the attention of the Committee within a reasonable period prior to any Purchase Date, the Committee, or its delegate, may deem such individual to be an Eligible Employee despite the exclusions described in this Section 1.09.

Section 1.10 "*Employer*" means AWW and each Subsidiary.

Section 1.10A "*Fixed Contribution Amount*" means an amount of Compensation paid to, or on behalf of, a Participant during a payroll period in a Purchase Period, that is selected by the Participant (in whole dollars only) for deduction and contribution to the Plan with respect to a Purchase Period, up to the lesser of:

(a) the Participant's Net Compensation for such payroll period; and

(b) $2,500, or such other amount as may be determined by the Committee;

provided, however, that no deduction of the Fixed Contribution Amount may result in a Participant exceeding the aggregate Maximum Deduction Amount as provided in Section 1.12(b) hereof.

Section 1.11 "*Market Value*" means the last price for the Stock as reported on New York Stock Exchange for the date of reference. If there was no such price reported for the date of reference, "Market Value" means the last reported price for the Stock on the day immediately preceding the date of reference for which such price was reported or, if there was no such reported price, the fair market value of a share of Stock as determined by the Committee.

Section 1.12 "*Maximum Deduction Amount*" means, unless otherwise adjusted by the Committee:

(a) with respect to a Purchase Period, the Percentage Contribution Amount or, if applicable, Fixed Contribution Amount, as selected by a Participant; and

(b) with respect to all deductions by a Participant under the Plan during a Plan Year, $25,000 in the aggregate.

Section 1.12A "*Net Compensation*" means, with respect to a payroll period in a Purchase Period, the amount of Compensation paid to, or on behalf of, a Participant during such payroll period, minus all applicable federal (including FICA), state and local tax withholding requirements, and any and all other payroll deductions and other withholdings (other than the Fixed Contribution Amount with respect to such Purchase Period) required or elected by the Participant to be made therefrom during such Purchase Period, rounded down to the next whole dollar.

Section 1.13 "*Participant*" means each Eligible Employee who:

(a) elects to participate in the Plan in accordance with Article II;

(b) acknowledges and agrees to abide by the Applicable Holding Period and

(c) has not otherwise voluntarily elected to cease his or her participation in the Plan and has not otherwise requested and received all funds held on account of the Participant in the Plan.

Section 1.13A "*Percentage Contribution Amount*" means a percentage, as selected by a Participant, from one percent (1%) to ten percent (10%) of each payment of Compensation paid to, or on behalf of, a Participant during a Purchase Period.

Section 1.14 "*Plan*" means the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, as set forth herein and as hereafter amended.

Section 1.15 "*Plan Year*" means each calendar year during which the Plan is in effect.

Section 1.16 "*Purchase Agreement*" means the instrument or other method prescribed by the Committee or its delegate pursuant to which an Eligible Employee may enroll as a Participant and subscribe for the purchase of shares of Stock on the terms and conditions offered by AWW. The Purchase Agreement is intended to evidence AWW's offer of an option to the Eligible Employee to purchase Stock on the terms and conditions set forth therein and herein; provided, however, in the event of a conflict between the Purchase Agreement and this Plan, the terms of the Plan shall control.

Section 1.17 "*Purchase Date*" means the last Trading Date of each Purchase Period.

Section 1.18 "*Purchase Period*" means each three (3) month period, or such other period specified by the Committee, beginning on or after the Original Effective Date, during which the Participant's Stock purchase is funded through payroll deduction accumulations (and, if applicable, contributions made pursuant to Section 2.05(c) below). The first Purchase Period

shall begin on the Original Effective Date and continue until the last Trading Date of the calendar quarter next following the Original Effective Date. Unless the Committee determines otherwise, each subsequent Purchase Period, after the first Purchase Period, shall begin on the first day of the calendar quarter next following the preceding Purchase Date and continue until the last Trading Date of the calendar quarter in which such Purchase Period began.

Section 1.19 *"Purchase Price"* means the purchase price for shares of Stock purchased under the Plan, determined as set forth in Section 3.01 below.

Section 1.20 *"Stock"* means the common stock, par value $0.01 per share, of AWW.

Section 1.21 "*Subsidiary*"

(a) The term "Subsidiary" means any present or future corporation, trust, partnership, limited partnership, limited liability company or other entity, of which the Company or another Subsidiary owns greater than fifty percent (50%) of the aggregate voting interests in such entity and that is designated as a participating entity in the Plan by the Committee or its delegate.

(b) Unless the Committee specifically designates otherwise, a non-U.S. subsidiary shall not be considered a Subsidiary for purposes of the Plan, and employees of such a subsidiary shall not be Eligible Employees.

Section 1.22 *"Trading Date"* means a day on which the New York Stock Exchange is open for trading.

ARTICLE II
PARTICIPATION

Section 2.01 *Initial Participation*. An Eligible Employee may elect to participate in the Plan by properly executing a Purchase Agreement and filing such Purchase Agreement with the Committee or its delegate, at such time in advance of the Election Date as the Committee or its delegate shall prescribe.

Section 2.02 *Continuation of Participation*.

(a) The Purchase Agreement shall remain in effect until it is modified through discontinuance of participation under Section 2.03 below or otherwise changed under Section 2.05 below.

(b) A Participant who is on a leave of absence approved by an Employer may continue to participate in the Plan during the leave of absence to the extent such Participant continues to receive Compensation, which is sufficient to satisfy the payroll deductions and any other legally required deductions or withholding obligations, as the Committee, or its delegate, may determine.

Section 2.03 *Discontinuance of Participation*.

(a) To the extent legally permissible, a Participant may voluntarily cease his or her participation in the Plan and stop payroll deductions at any time by filing a notice of cessation of participation on such form and at such time in advance of the Purchase Date as the Committee, or its delegate, shall prescribe. A Participant who ceases contributions during a Purchase Period may not make additional contributions to the Plan during the Purchase Period and may request payment of any funds held for the Participant under the Plan on such form and at such time in advance of the Purchase Date as the Committee, or its delegate, shall prescribe. Any funds remaining in the Participant's account on the Purchase Date shall be used to purchase Stock pursuant to Section 3.04 below, if the Participant is then an Eligible Employee.

(b) Notwithstanding subsection Section 2.03, if a Participant ceases to be an Eligible Employee, his or her participation in the Plan shall automatically cease and no further purchase of Stock shall be made for the Participant. Any funds held for the Participant under the Plan shall be distributed to the Participant.

Section 2.04 *Readmission to Participation*.

(a) Any Eligible Employee who:

(i) was previously a Participant;

(ii) discontinued participation (whether by cessation of eligibility or otherwise); and

(iii) wishes to be reinstated as a Participant, may again become a Participant by executing and filing with the Committee a new Purchase Agreement.

(b) Reinstatement as a Participant shall be effective as of the next Election Date, provided the Participant is an Eligible Employee and the Participant files a new Purchase Agreement with the Committee, or its delegate, at such time in advance of the Election Date as the Committee, or its delegate, shall prescribe.

Section 2.05 *Payroll Deductions and Deposits*.

(a) Each Participant shall authorize after-tax payroll deductions from his or her Compensation for the purpose of funding the purchase of Stock pursuant to his or her Purchase Agreement. In the Purchase Agreement, each Participant shall authorize the withholding of the Percentage Contribution Amount, or the Fixed Contribution Amount (but not both), if the Committee or its delegate has elected to provide for a Fixed Contribution Amount, from each payment of Compensation during the Purchase Period, which, together with his or her contributions toward the purchase of Stock pursuant to subsection (c) below, may not exceed, in the aggregate for such Plan Year, the Maximum Deduction Amount.

(b) To the extent permissible by law or under the Plan, if a Fixed Contribution Amount has been provided for pursuant to Section 2.05(a), a Participant may change his or her deduction from a Fixed Contribution Amount to a Percentage Contribution Amount (or vice versa), and may change the amount of the Participant's deduction to any permissible amount or percentage, as the case may be, as permitted by the Committee or its delegate, as of any time prior to an Election Date. A change shall be made by filing with the Committee or its delegate a new Purchase Agreement, which shall become effective as soon as administratively practicable following receipt by the Committee or its delegate.

(c) The Committee may allow Participants to deposit funds with AWW to be used for the purpose of purchasing Stock pursuant to their Purchase Agreements, in addition to payroll deductions pursuant to Section 2.05(a) above; provided, however:

(i) the total amount that a Participant may contribute to the Plan during a Purchase Period (through payroll deductions and deposits) may not exceed the Maximum Deduction Amount, and

(ii) the deposit of funds by a Participant will only be permitted if the Participant designates the timing and amount to be deposited on an executed Purchase Agreement that is filed with the Committee, or its delegate, at such time in advance of the Election Date as the Committee shall prescribe.

Section 2.06 *Participant Rights and Privileges*. Notwithstanding anything herein to the contrary, all Participants shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code.

ARTICLE III
STOCK PURCHASE AND DISTRIBUTION

Section 3.01 *Purchase Price of Shares*. Unless the Committee determines otherwise, the Purchase Price per share of the Stock to be sold to Participants under the Plan shall be 85% of the Market Value of such share on the Purchase Date.

Section 3.02 *Exercise of Purchase Privilege.*

(a) As of the first day of each Purchase Period, each Participant shall be granted an option to purchase shares of Stock at the Purchase Price specified in Section 3.01 above. The option shall continue in effect through the Purchase Date for the Purchase Period. Subject to the provisions of Section 3.04 below, on each Purchase Date, the Participant shall automatically be deemed to have exercised his or her option to purchase shares of Stock, unless he or she notifies the Committee or its delegate, in such manner and at such time in advance of the Purchase Date as the Committee shall prescribe, of his or her desire to forfeit such option and subject to any restrictions that may be imposed by the Committee, to receive a refund of any outstanding amounts that have been deducted pursuant to the Participant's Purchase Agreement or contributed toward the purchase of Stock pursuant to Section 2.05(c) above.

(b) Subject to the provisions of Section 3.02 above and Section 3.04 below, there shall be purchased for the Participant on each Purchase Date, at the Purchase Price for the Purchase Period, the largest number of shares of Stock, including fractional shares thereof, as can be purchased with the amounts deducted from the Participant's Compensation, or contributed toward the purchase of Stock pursuant to Section 2.05(c) above, during the Purchase Period.

(c) Notwithstanding anything herein to the contrary, in the unlikely event or limited instances that any amounts that are attributable to a Participant's deductions or contributions remain after the purchase of shares of Stock on a Purchase Date, such amounts shall be returned to the Participant, in accordance with Section 3.04(c) below, as soon as administratively practicable.

Section 3.03 *Reservation of Shares*. There shall be two million (2,000,000) shares of Stock reserved for issuance or transfer under the Plan, subject to adjustment in accordance with Section 4.02 below. The aggregate number of shares of Stock that may be purchased under the Plan shall not exceed the number of shares of Stock reserved under the Plan.

Section 3.04 *Limitation on Shares to Be Purchased.*

(a) Subject to Section 3.04(a)(iii) below, the maximum number of shares of Stock that may be purchased for each Participant on a Purchase Date is the least of:

(i) the number of shares of Stock that can be purchased by applying the full balance of the Participant's deducted or deposited funds to the purchase of shares of Stock at the Purchase Price;

(ii) the Participant's proportionate part of the maximum number of shares of Stock available under the Plan, as provided in Section 3.03 and Section 4.01(a) below; or

(iii) five thousand (5,000) shares of Stock, subject to adjustment as described in Section 4.02 below.

(b) Notwithstanding Section 3.04(a) above, before the beginning of a Purchase Period, the Committee, in its sole and absolute discretion, may increase or decrease the maximum share limit for the Purchase Period and subsequent Purchase Periods. The adjusted maximum share limit shall continue in effect until again adjusted by the Committee.

(c) Any amounts deducted from a Participant's Compensation that cannot be applied to the purchase of Stock on a Purchase Date by reason of the foregoing limitations described in Section 3.04(a) above, shall be returned to the Participant, as soon as administratively practicable.

Section 3.05 *Payment for Stock*. The Purchase Price for all shares of Stock purchased by a Participant under the Plan shall be paid out of the Participant's authorized payroll deductions (and any deposits made by a Participant pursuant to Section 2.05(c) above, if permitted by the Committee). All funds received or held by AWW under the Plan are general assets of AWW, shall be held free of any trust requirement or other restriction, and may be used for any corporate purpose.

Section 3.06 *Share Ownership; Issuance of Certificates*.

(a) The shares of Stock purchased by a Participant on a Purchase Date shall, for all purposes, be deemed to have been issued or sold at the close of business on the Purchase Date. Prior to that time, none of the rights or privileges of a stockholder of AWW shall inure to the Participant with respect to such shares of Stock. All the shares of Stock purchased under the Plan shall be delivered by AWW in a manner as determined by the Committee following the Participant's satisfaction of the Applicable Holding Period.

(b) The Committee, or its delegate, may determine that shares of Stock shall be delivered by:

(i) issuing and delivering the number of shares of Stock purchased to a firm which is a member of the Financial Industry Regulatory Authority, as selected by the Committee from time to time, which shares shall be maintained by such firm in a separate brokerage account for each Participant, or

(ii) issuing and delivering the number of shares of Stock purchased by Participants to a bank or trust company or affiliate thereof, as selected by the Committee from time to time, which shares may be held by such bank or trust company or affiliate in street name, but with a separate account maintained by such entity for each Participant reflecting such Participant's share interests in the Stock.

(c) Each account described in Section 3.06(b) above shall be in the name of the Participant.

Section 3.07 *Distribution of Shares or Resale of Stock.*

(a) A Participant may request a distribution of shares of Stock purchased for the Participant under the Plan or order the sale of such shares following the Participant's satisfaction of the Applicable Holding Period, by making a request in such form and at such time as the Committee shall prescribe.

(b) If a Participant terminates his or her employment with the Employer or otherwise ceases to be an Eligible Employee, following the Participant's satisfaction of the Applicable Holding Period, the Participant shall receive a distribution of his or her shares of Stock held in any stockholder account established pursuant to Section 3.06(b) above, which shall be effectuated by the Committee in a manner that it deems reasonable and appropriate, as determined by the Committee, or its delegate, or, in lieu of the receipt of shares of Stock, the Participant may alternatively elect to instead have the shares of Stock sold, in accordance with such procedures as the Committee shall prescribe.

(c) If a Participant is to receive a distribution of shares of Stock, or if shares are to be sold, the distribution or sale shall be made in shares of Stock. Any brokerage commissions resulting from a sale of Stock shall be deducted from amounts payable to the Participant.

ARTICLE IV
SPECIAL ADJUSTMENTS

Section 4.01 *Shares Unavailable*. If, on any Purchase Date, the aggregate funds available for the purchase of Stock would otherwise permit the purchase of a number of shares Stock in excess of the number then available for purchase under the Plan, the following adjustments shall be made:

(a) The number of shares of Stock that would otherwise be purchased by each Participant shall be proportionately reduced on the Purchase Date in order to eliminate such excess; and

(b) The Plan shall automatically terminate immediately after the Purchase Date as of which the supply of available shares is exhausted, unless the Board of Directors determines otherwise.

Section 4.02 *Anti-Dilution Provisions*. The aggregate number of shares of Stock reserved for purchase under the Plan, as provided in Section 3.03 above, the maximum number of shares that may be purchased by a Participant as provided in Section 3.04 above, and the calculation of the Purchase Price per share shall be equitably adjusted by the Committee to reflect any increase or decrease in the number of issued shares of Stock resulting from a subdivision or consolidation of shares or other capital adjustment, the payment of a stock dividend, or other increase or decrease in the shares, if effected without receipt of consideration by AWW.

Section 4.03 *Effect of Certain Transactions*. Subject to any required action by the stockholders, if AWW shall be the surviving corporation in any merger or consolidation, any offering hereunder shall continue to pertain to and apply to the shares of stock of AWW. However, in the event of a dissolution or liquidation of AWW, or a merger or consolidation in which AWW is not the surviving corporation, the Plan and any offering hereunder shall terminate upon the effective date of such dissolution, liquidation, merger or consolidation, unless the Board of Directors determines otherwise, and the balance of any amounts deducted from a Participant's Compensation (or deposited pursuant to Section 2.05(c) above) which have not by such time been applied to the purchase of Stock shall be returned to the Participant, as soon as reasonably practicable.

ARTICLE V
MISCELLANEOUS

Section 5.01 *Non-Alienation*. Except as set forth below, the right to purchase shares of Stock under the Plan is personal to the Participant, is exercisable only by the Participant during the Participant's lifetime and may not be assigned or otherwise transferred by the Participant. If a Participant dies, unless the executor, administrator or other personal representative of the deceased Participant directs otherwise, any amounts previously deducted from the Participant's Compensation (or deposited pursuant to Section 2.05(c) above before the Participant's death) during the Purchase Period in which the Participant dies shall be used to purchase Stock on the Purchase Date for the Purchase Period. After that Purchase Date, there shall be delivered to the executor or administrator or other personal representative of the deceased Participant all shares of Stock and such residual amounts as may remain to the Participant's credit under the Plan.

Section 5.02 *Administrative Costs*. AWW shall pay the administrative expenses associated with the operation of the Plan (other than brokerage commissions resulting from sales of Stock directed by Participants).

Section 5.03 *No Interest*. No interest shall be payable with respect to amounts withheld or deposited under the Plan.

Section 5.04 *Committee*. The Board of Directors shall appoint the Committee, which shall have the express discretionary authority and power to administer the Plan and to make, adopt, construe, and enforce rules and regulations not inconsistent with the provisions of the Plan. The Committee shall adopt and prescribe the contents of all forms required in connection with the administration of the Plan, including, but not limited to, the Purchase Agreement, payroll deduction authorizations, requests for distribution of shares, and all other notices required hereunder. The Committee shall have the fullest discretion permissible under law in the discharge of its duties. The Committee's interpretations and decisions with respect to the Plan shall be final and conclusive. The Committee may delegate certain administrative or ministerial matters under the Plan to one or more officer or officers of the Company (or their designees) as determined in the Committee's discretion, and such persons may have the authority to (i) maintain or cause to be maintained (including through a third party administrator) records relating to the operation and maintenance of the Plan; (ii) process or oversee the issuance of, or cause to be issued, shares to a Participant upon the sale of Stock under the Plan; and (iii) take such other administrative or ministerial actions, or cause such actions to be taken, as the Committee may authorize.

Section 5.05 *Withholding of Taxes; Notification of Transfer.* All acquisitions and sales of Stock under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements if the Internal Revenue Service or other taxing authority requires such withholding. AWW may require that Participants pay to AWW (or make other arrangements satisfactory to AWW for the payment of) the amount of any Federal, state or local taxes that AWW is required to withhold with respect to the purchase of Stock or the sale of Stock acquired under the Plan, or instead deduct from the Participant's wages or other compensation the amount of any withholding taxes due with respect to the purchase of Stock or the sale of Stock acquired under the Plan.

Section 5.06 *Amendment of the Plan*. The Board of Directors may, at any time and from time to time, amend the Plan in any respect, except that any amendment that is required to be approved by the stockholders shall be submitted to the stockholders of AWW for approval.

Section 5.07 *Expiration and Termination of the Plan*. The Plan shall continue in effect for ten years from the Original Effective Date, unless terminated prior to that date pursuant to the provisions of the Plan or pursuant to action by the Board of Directors. The Board of Directors shall have the right to terminate the Plan at any time without prior notice to any Participant and without liability to any Participant. Upon the expiration or termination of the Plan, the balance, if any, then standing to the credit of each Participant from amounts deducted from the Participant's Compensation or deposited by the Participant which has not, by such time, been applied to the purchase of Stock shall be refunded to the Participant.

Section 5.08 *No Employment Rights*. Participation in the Plan shall not give an employee any right to continue in the employment of an Employer, and shall not affect the right of the Employer to terminate the employee's employment at any time, with or without cause.

Section 5.09 *Repurchase of Stock*. AWW shall not be required to purchase or repurchase from any Participant any of the shares of Stock that the Participant acquires under the Plan.

Section 5.10 *Notice*. A Purchase Agreement and any notice that a Participant files pursuant to the Plan shall be on a form prescribed by the Committee and shall be effective only when received by the Committee or its delegate. Delivery of such forms may be made by hand or by certified mail, sent postage prepaid, to AWW's Senior Vice President of Human Resources, or such other address as the Committee may designate. Delivery by any other mechanism shall be deemed effective at the option and discretion of the Committee.

Section 5.11 *Government Regulation*. AWW's obligation to sell and to deliver the Stock under the Plan is at all times subject to all approvals of any governmental authority required in connection with the authorization, issuance, sale or delivery of such Stock.

Section 5.12 *Internal Revenue Code and ERISA Considerations*. The Plan is neither intended to constitute an "employee stock purchase plan" within the meaning of section 423 of the Code nor intended to be construed as constituting an "employee benefit plan," within the meaning of section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

Section 5.13 *Section 409A*. The Plan is intended to comply with the requirements of section 409A of the Code, to the extent applicable. All options granted under the Plan shall be construed and administered such that such option either (i) qualifies for an exemption from the requirements of section 409A of the Code or (ii) satisfies the requirements of section 409A of the Code. If an option is subject to section 409A of the Code, the exercise of such option shall only be made in a manner and upon an event permitted under section 409A of the Code and in no event shall an Eligible Employee, directly or indirectly, designate the calendar year in which an exercise occurs. Notwithstanding the foregoing, although options are intended to be exempt from, or comply with, the requirements of section 409A of the Code, and the Plan shall be interpreted accordingly, AWW does not warrant that any option will qualify for favorable tax treatment under section 409A of the Code or any other provision of federal, state, local or foreign law. AWW shall not be liable to any Eligible Employee for any tax the Eligible Employee might owe as a result of the grant or exercise of an option, or holding of any shares of Stock received upon exercise of the option, under the Plan.

Section 5.14 *Headings, Captions, Gender.* The headings and captions herein are for convenience of reference only and shall not be considered as part of the text. The masculine shall include the feminine, and vice versa. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may read as the plural and the plural as the singular.

Section 5.15 *Severability of Provisions, Prevailing Law*. The provisions of the Plan shall be deemed severable. In the event any such provision is determined to be unlawful or unenforceable by a court of competent jurisdiction or by reason of a change in an applicable statute, the Plan shall continue to exist as though such provision had never been included therein (or, in the case of a change in an applicable statute, had been deleted as of the date of such change). The Plan shall be governed by the laws of the State of New Jersey to the extent such laws are not in conflict with, or superseded by, federal law.

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Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

I, Susan N. Story, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 31, 2018

By: /s/ SUSAN N. STORY

Susan N. Story

President and Chief Executive Officer
(Principal Executive Officer)

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Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

I, Linda G. Sullivan, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined

in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the registrant and have:

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

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

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

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

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

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

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

Date: October 31, 2018

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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Section 5: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan N. Story, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)
October 31, 2018

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Section 6: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Linda G. Sullivan, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
October 31, 2018

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Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from _____to _____

Commission file number 001-34028

AMERICAN WATER WORKS COMPANY, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
(Do not check if a smaller reporting company)		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Class	**Outstanding as of July 27, 2017**
Common Stock, $0.01 par value per share	**178,282,329 shares (excludes 4,064,010 treasury shares as of July 27, 2017)**

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FORWARD-LOOKING STATEMENTS

We have made statements in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Quarterly Report on Form 10-Q ("Form 10-Q"), that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things, our future financial performance, including our adjusted operation and maintenance ("O&M") efficiency ratio, cash flows, our growth and portfolio optimization strategies, our projected capital expenditures and related funding requirements, our ability to repay debt, our projected strategy to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory, legislative, political, tax policy or legal developments or rate adjustments, including rate case filings, filings for infrastructure surcharges and filings to address regulatory lag.

Forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results or levels of activity, performance or achievements, and you are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Our actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower rates;
- the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts;
- changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections;
- weather conditions, patterns, events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, electrical storms and solar flares;
- the outcome of litigation and similar government actions, including matters related to the Freedom Industries chemical spill in West Virginia and the binding global agreement in principle to settle claims related to this chemical spill;
- our ability to appropriately maintain current infrastructure, including our operational and information technology ("IT") systems, and manage the expansion of our business;
- exposure or infiltration of our critical infrastructure, operational technology and IT systems through physical or cyber attacks or other disruptions;
- our ability to obtain permits and other approvals for projects;
- changes in our capital requirements;
- our ability to control operating expenses and to achieve efficiencies in our operations;
- the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers;
- our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations;
- our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of our operations;
- our ability to maintain safe work sites;

- our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water management solutions that are focused on customers in the natural gas exploration and production market;
- changes in general economic, political, business and financial market conditions;
- access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends;
- fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements;
- changes in federal or state general, income and other tax laws, including tax reform, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. and state net operating loss carryforwards;
- migration of customers into or out of our service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn our systems;
- difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions, or an inability to obtain reimbursement under existing insurance programs for any losses sustained;
- the incurrence of impairment charges related to our goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the ability to retain and attract qualified employees;
- civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risk factors and other statements contained in our Annual Report on Form 10-K for the year ended December 31, 2016 (“Form 10-K”), and in this Form 10-Q, and you should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements we make speak only as of the date this Form 10-Q was filed with the United States Securities and Exchange Commission (“SEC”). Except as required by the federal securities laws, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	June 30, 2017	December 31, 2016
ASSETS		
Property, plant and equipment	$ 20,575	$ 19,954
Accumulated depreciation	(5,184)	(4,962)
Property, plant and equipment, net	15,391	14,992
Current assets:		
Cash and cash equivalents	64	75
Restricted funds	28	20
Accounts receivable, net	288	269
Unbilled revenues	236	263
Materials and supplies	41	39
Other	151	118
Total current assets	808	784
Regulatory and other long-term assets:		
Regulatory assets	1,324	1,289
Goodwill	1,373	1,345
Other	70	72
Total regulatory and other long-term assets	2,767	2,706
TOTAL ASSETS	$ 18,966	$ 18,482

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

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

	June 30, 2017	December 31, 2016
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 182,342,528 and 181,798,555 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,416	6,388
Accumulated deficit	(702)	(873)
Accumulated other comprehensive loss	(85)	(86)
Treasury stock, at cost (4,064,010 and 3,701,867 shares, respectively)	(247)	(213)
Total common stockholders' equity	5,384	5,218
Long-term debt	5,650	5,749
Redeemable preferred stock at redemption value	9	10
Total long-term debt	5,659	5,759
Total capitalization	11,043	10,977
Current liabilities:		
Short-term debt	1,117	849
Current portion of long-term debt	686	574
Accounts payable	134	154
Accrued liabilities	490	609
Taxes accrued	47	31
Interest accrued	62	63
Other	125	112
Total current liabilities	2,661	2,392
Regulatory and other long-term liabilities:		
Advances for construction	291	300
Deferred income taxes, net	2,723	2,596
Deferred investment tax credits	23	23
Regulatory liabilities	410	403
Accrued pension expense	422	419
Accrued postretirement benefit expense	85	87
Other	70	67
Total regulatory and other long-term liabilities	4,024	3,895
Contributions in aid of construction	1,238	1,218
Commitments and contingencies (see Note 9)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 18,966	$ 18,482

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Operating revenues	$ 844	$ 827	$ 1,600	$ 1,570
Operating expenses:				
Operation and maintenance	349	351	686	699
Depreciation and amortization	126	115	250	231
General taxes	63	64	131	130
Gain on asset dispositions and purchases	(2)	(2)	(2)	(3)
Total operating expenses, net	536	528	1,065	1,057
Operating income	308	299	535	513
Other income (expense):				
Interest, net	(85)	(81)	(170)	(161)
Other, net	3	7	6	9
Total other income (expense)	(82)	(74)	(164)	(152)
Income from continuing operations before income taxes	226	225	371	361
Provision for income taxes	95	88	147	142
Net income attributable to common stockholders	$ 131	$ 137	$ 224	$ 219
Basic earnings per share:				
Net income attributable to common stockholders	$ 0.74	$ 0.77	$ 1.26	$ 1.23
Diluted earnings per share: (a)				
Net income attributable to common stockholders	$ 0.73	$ 0.77	$ 1.26	$ 1.23
Weighted-average common shares outstanding:				
Basic	178	178	178	178
Diluted	179	178	179	178
Dividends declared per common share	$ 0.415	$ 0.375	$ 0.415	$ 0.375

(a) Amounts may not sum due to rounding.

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

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Net income attributable to common stockholders	$ 131	$ 137	$ 224	$ 219
Other comprehensive income (loss), net of tax:				
Pension amortized to periodic benefit cost:				
Actuarial loss, net of tax of $1 for the three months and $2 for the six months ended June 30, 2017 and 2016, respectively	2	2	4	3
Foreign currency translation adjustment	—	(1)	(1)	—
Unrealized loss on cash flow hedges, net of tax of $(3) and $(6) for the three months and $(1) and $(7) for the six months ended June 30, 2017 and 2016, respectively	(5)	(10)	(2)	(11)
Net other comprehensive income (loss)	(3)	(9)	1	(8)
Comprehensive income attributable to common stockholders	$ 128	$ 128	$ 225	$ 211

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

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Six Months Ended June 30,	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 224	$ 219
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	250	231
Deferred income taxes and amortization of investment tax credits	137	152
Provision for losses on accounts receivable	11	9
Gain on asset dispositions and purchases	(2)	(3)
Pension and non-pension postretirement benefits	29	31
Other non-cash, net	(50)	(32)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(3)	(13)
Pension and non-pension postretirement benefit contributions	(23)	(28)
Accounts payable and accrued liabilities	(46)	22
Other assets and liabilities, net	(3)	(52)
Net cash provided by operating activities	524	536
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(602)	(597)
Acquisitions	(9)	(24)
Proceeds from sale of assets and securities	4	2
Removal costs from property, plant and equipment retirements, net	(28)	(44)
Net funds restricted	(5)	(2)
Net cash used in investing activities	(640)	(665)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	20	2
Repayments of long-term debt	(6)	(13)
Net short-term borrowings with maturities less than three months	268	321
Proceeds from issuances of employee stock plans and DRIP	16	18
Advances and contributions for construction, net of refunds of $11 and $12, respectively	12	12
Debt issuance costs	-	(1)
Dividends paid	(141)	(127)
Anti-dilutive stock repurchase	(54)	(65)
Taxes paid related to employee stock plans	(10)	(11)
Net cash provided by financing activities	105	136
Net (decrease) increase in cash and cash equivalents	(11)	7
Cash and cash equivalents as of beginning of period	75	45
Cash and cash equivalents as of end of period	$ 64	$ 52
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of end of period	$ 145	$ 167
Acquisition financed by treasury stock	$ 33	$ -

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

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
(In millions)

	Common Stock				Accumulated Other	Treasury Stock		Total
	Shares	Par Value	Paid-in-Capital	Accumulated Deficit	Comprehensive Loss	Shares	At Cost	Stockholders' Equity
Balance as of December 31, 2016	181.8	$ 2	$ 6,388	$ (873)	$ (86)	(3.7)	$ (213)	$ 5,218
Cumulative effect of change in accounting principle	—	—	—	21	—	—	—	21
Net income attributable to common stockholders	—	—	—	224	—	—	—	224
Direct stock reinvestment and purchase plan	0.1	—	5	—	—	—	—	5
Employee stock purchase plan	—	—	4	—	—	—	—	4
Stock-based compensation activity	0.4	—	13	—	—	(0.1)	(7)	6
Acquisitions via treasury stock	—	—	6	—	—	0.4	27	33
Repurchases of common stock	—	—	—	—	—	(0.7)	(54)	(54)
Net other comprehensive income	—	—	—	—	1	—	—	1
Dividends	—	—	—	(74)	—	—	—	(74)
Balance as of June 30, 2017	182.3	$ 2	$ 6,416	$ (702)	$ (85)	(4.1)	$ (247)	$ 5,384

	Common Stock				Accumulated Other	Treasury Stock		Total
	Shares	Par Value	Paid-in-Capital	Accumulated Deficit	Comprehensive Loss	Shares	At Cost	Stockholders' Equity
Balance as of December 31, 2015	180.9	$ 2	$ 6,351	$ (1,073)	$ (88)	(2.6)	$ (143)	$ 5,049
Net income attributable to common stockholders	—	—	—	219	—	—	—	219
Direct stock reinvestment and purchase plan	—	—	3	—	—	—	—	3
Employee stock purchase plan	—	—	3	—	—	—	—	3
Stock-based compensation activity	0.7	—	25	—	—	(0.1)	(6)	19
Repurchases of common stock	—	—	—	—	—	(1.0)	(65)	(65)
Net other comprehensive loss	—	—	—	—	(8)	—	—	(8)
Dividends	—	—	—	(67)	—	—	—	(67)
Balance as of June 30, 2016	181.6	$ 2	$ 6,382	$ (921)	$ (96)	(3.7)	$ (214)	$ 5,153

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

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited consolidated financial statements provided in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (collectively, "American Water" or the "Company") in which a controlling interest is maintained after the elimination of intercompany accounts and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of June 30, 2017 and results of operations and cash flows for all periods presented have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The Consolidated Balance Sheet as of December 31, 2016 is derived from the Company's audited consolidated financial statements as of December 31, 2016. The unaudited consolidated financial statements and notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2016 ("Form 10-K") which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, due primarily to the seasonality of the Company's operations.

Note 2: New Accounting Standards

The Company adopted the following accounting standard on January 1, 2017:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements (or Other Significant Matters)
Simplification of Employee Share-Based Payment Accounting	Simplified accounting and disclosure requirements for share-based payment awards. The updated guidance addresses simplification in areas such as: (i) the recognition of excess tax benefits and deficiencies; (ii) the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows; (iii) election of an accounting policy for forfeitures; and (iv) the amount an employer can withhold to cover income taxes and still qualify for equity classification.	January 1, 2017	Modified retrospective for the recognition of excess tax benefits and deficiencies; full retrospective for the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows	The adoption of this standard resulted in a cumulative effect to increase retained earnings by $21, with an offsetting decrease to deferred income taxes, net. Also, the adoption resulted in a net increase in cash flows from operating activities and a net decrease in cash flows from financing activities of $14 and $18 for the six months ended June 30, 2017 and 2016, respectively, on the Consolidated Statements of Cash Flows.

The following recently issued accounting standards are not yet required to be adopted by the Company as of June 30, 2017:

Standard	Description	Date of Adoption	Permitted Application	Estimated Effect on the Consolidated Financial Statements (or Other Significant Matters)
Revenue from Contracts with Customers	Changes the criteria for recognizing revenue from a contract with a customer. Replaces existing guidance on revenue recognition, including most industry specific guidance. The objective is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows.	January 1, 2018; early adoption permitted	Full or modified retrospective	The Company substantially completed its evaluation of the requirements of the new standard based on current interpretations and does not expect there to be a change in the measurement or timing of revenue recognized. The Company continues to monitor for new authoritative and interpretative guidance, which upon release could impact the Company's current evaluation. The Company plans to adopt the new standard on January 1, 2018 using the modified retrospective method.
Classification of Certain Cash Receipts and Cash Payments on the Statement of Cash Flows	Provides guidance on the presentation and classification in the statement of cash flows for the following cash receipts and payments: (i) debt prepayment or debt extinguishment costs; (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (iii) contingent consideration payments made after a business combination; (iv) proceeds from the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (vi) distributions received from equity method investees; (vii) beneficial interests in securitization transactions and (viii) separately identifiable cash flows and application of the predominance principle.	January 1, 2018; early adoption permitted	Retrospective	The Company does not anticipate significant impacts on its consolidated statements of cash flows.
Presentation of Changes in Restricted Cash on the Statement of Cash Flows	Updates the accounting and disclosure guidance for the classification and presentation of changes in restricted cash on the statements of cash flows. The amended guidance requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents and amounts described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will now be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.	January 1, 2018; early adoption permitted	Retrospective	The Company does not anticipate significant impacts on its consolidated statements of cash flows.
Clarifying the Definition of a Business	Updates the accounting guidance to clarify the definition of a business with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions, or disposals, of assets or businesses.	January 1, 2018; early adoption permitted	Prospective	The update could result in more acquisitions being accounted for as asset acquisitions. The effect on the Company's consolidated financial statements will be dependent on the transactions executed by the Company subsequent to adoption.
Gains and Losses from the Derecognition of Nonfinancial Assets	Updated the guidance to clarify the accounting for gains and losses resulting from the derecognition of nonfinancial assets and partial sale of nonfinancial assets. The guidance also clarifies the definition of an in-substance nonfinancial asset.	January 1, 2018; early adoption permitted	Full or modified retrospective	The Company is evaluating the impact on its consolidated financial statements and related disclosures.
Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	Updated authoritative guidance requires the service cost component of net periodic benefit cost to be presented in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. The remaining components of net periodic benefit cost are required to be presented separately from the service cost component in an income statement line item outside of operating income. Also, the guidance allows for only the service cost component to be eligible for capitalization. The updated guidance does not impact the accounting for net periodic benefit costs as regulatory assets or liabilities.	January 1, 2018; early adoption permitted	Retrospective for the presentation of service cost component; prospective for the capitalization of service cost component	The Company is evaluating the impact on its consolidated financial statements and related disclosures.

Standard	Description	Date of Adoption	Permitted Application	Estimated Effect on the Consolidated Financial Statements (or Other Significant Matters)
Accounting for Leases	Updated the accounting and disclosure guidance for leasing arrangements. Under this guidance, a lessee will be required to recognize the following for all leases, excluding short-term leases, at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the guidance, lessor accounting is largely unchanged.	January 1, 2019; early adoption permitted	Modified retrospective	The Company is evaluating the effect on its consolidated financial statements and related disclosures.
Simplification of Goodwill Impairment Testing	Updated authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in the update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying value exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	January 1, 2020; early adoption permitted	Prospective	The Company is considering early adopting this guidance for its next annual goodwill impairment test, which will occur during the fourth quarter of 2017. The Company does not expect the adoption to have a material impact on its consolidated financial statements or related disclosures.
Measurement of Credit Losses	Updated the accounting guidance on reporting credit losses for financial assets held at amortized cost basis and available-for-sale debt securities. Under this guidance, expected credit losses are required to be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. Also, this guidance requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down.	January 1, 2020; early adoption permitted	Modified retrospective	The Company is evaluating the impact on its consolidated financial statements and related disclosures, as well as the timing of adoption.

Note 3: Acquisitions

During the six months ended June 30, 2017, the Company closed on ten acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $42. Included in this total was the Company's acquisition of all the outstanding capital stock of the Shorelands Water Company, Inc. on April 3, 2017, for total consideration of $33, in the form of approximately 0.4 shares of the Company's common stock. Assets acquired for the aforementioned acquisitions, principally utility plant, totaled $37. Liabilities assumed totaled $21, including $7 of contributions in aid of construction and assumed debt of $7. The Company recorded additional goodwill of $28 associated with three of its acquisitions, which is reported in the Company's Regulated Businesses segment. The Company also recognized a bargain purchase gain of $2 associated with one of these acquisitions. The preliminary purchase price allocations related to these acquisitions will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

Also, the Company made a non-escrowed deposit of $2 during the first quarter of 2017 related to the acquisition of the McKeesport, Pennsylvania wastewater system, which the Company expects to close by the first quarter of 2018.

Note 4: Stockholders' Equity

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component, net of tax, for the six months ended June 30, 2017 and 2016, respectively:

	Defined Benefit Plans					Accumulated
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Foreign Currency Translation	Gain (Loss) on Cash Flow Hedges	Other Comprehensive Loss
Beginning balance as of December 31, 2016	$ (147)	$ 1	$ 42	$ 2	$ 16	$ (86)
Other comprehensive loss before reclassifications	—	—	—	(1)	(2)	(3)
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	—	4
Net other comprehensive income (loss)	—	—	4	(1)	(2)	1
Ending balance as of June 30, 2017	$ (147)	$ 1	$ 46	$ 1	$ 14	$ (85)
Beginning balance as of December 31, 2015	$ (126)	$ 1	$ 36	$ 2	$ (1)	$ (88)
Other comprehensive loss before reclassifications	—	—	—	—	(11)	(11)
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	—	3
Net other comprehensive income (loss)	—	—	3	—	(11)	(8)
Ending balance as of June 30, 2016	$ (126)	$ 1	$ 39	$ 2	$ (12)	$ (96)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been capitalized as a regulatory asset. These accumulated other comprehensive income loss components are included in the computation of net periodic pension cost. See Note 8— Pension and Other Postretirement Benefits.

The amortization of the loss on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Anti-dilutive Stock Repurchase Program

During the six months ended June 30, 2017, the Company repurchased 0.7 shares of common stock in the open market at an aggregate cost of $54 under the anti-dilutive stock repurchase program authorized by the Company's Board of Directors in 2015. As of June 30, 2017, there were 6.1 shares of common stock available for repurchase under the program.

Note 5: Stock Based Compensation

On May 12, 2017, the Company's stockholders approved the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents, which may be granted only on stock units or other stock-based awards.

Note 6: Long-Term Debt

The following long-term debt was issued during the six months ended June 30, 2017:

Company	Type	Rate	Maturity	Amount
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-3.92%	2020-2036	$ 16
Other American Water subsidiaries	Term Loan	4.47%	2021	4
Total issuances				$ 20

The following long-term debt was retired through sinking fund provisions, optional redemptions or payment at maturity during the six months ended June 30, 2017:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp. (a)	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	$ 1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.38%	2017-2041	4
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	2036	1
Total retirements and redemptions				$ 6

(a) American Water Capital Corp., which is a wholly owned subsidiary of the Company, has a support agreement with the Company that, under certain circumstances, is the functional equivalent of a parent company guarantee. This indebtedness is considered "debt" for purposes of this support agreement.

The Company has four forward starting swap agreements with an aggregate notional amount of $300 to reduce interest rate exposure on debt expected to be issued in 2017. These forward starting swap agreements terminate in December 2017 and have an average fixed rate of 2.20%. On February 8, 2017, the Company entered into an additional forward starting swap agreement with a notional amount of $100 to reduce interest rate exposure for a portion of the expected refinancing of the Company's 5.62% fixed-rate long-term debt maturing in December 2018. This forward starting swap agreement terminates in November 2018 and has an average fixed rate of 2.67%. The Company has designated these forward starting swap agreements as cash flow hedges and the initial fair value, in addition to any subsequent changes in fair value, are recognized in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the issued debt.

The Company has an interest rate swap to hedge $100 of its 6.085% fixed-rate debt maturing in 2017. The Company pays variable interest of six-month LIBOR plus 3.422% and the interest rate swap matures with the fixed-rate debt in 2017. The Company has designated this interest rate swap as a fair value hedge accounted for at fair value with gains or losses, as well as the offsetting gains or losses on the hedged item, recognized in interest, net. The net gain and loss recognized by the Company for the three and six months ended June 30, 2017 and 2016 was de minimis.

The Company has employed interest rate swaps to fix the interest cost on a portion of its variable-rate debt with an aggregate notional amount of $6. The Company has designated these interest rate swaps as economic hedges accounted for at fair value with gains or losses deferred as a regulatory asset or regulatory liability. The net gain recognized by the Company for the three and six months ended June 30, 2017 and 2016 was de minimis.

No ineffectiveness was recognized for the three and six months ended June 30, 2017 and 2016, related to hedging instruments.

The following table provides a summary of the gross fair value for the Company's derivative asset and liabilities, as well as the location of the asset and liability balances in the Consolidated Balance Sheets:

Derivative Instruments	Derivative Designation	Balance Sheet Classification	June 30, 2017	December 31, 2016
Asset Derivative				
Forward starting swaps	Cash flow hedge	Other current assets	$ 23	$ 27
Forward starting swaps	Cash flow hedge	Other long-term assets	2	—
Interest rate swap	Fair value hedge	Other current assets	—	1
Liability Derivative				
Interest rate swap	Fair value hedge	Current portion of long-term debt	$ —	$ 1

Note 7: Income Taxes

The Company's effective income tax rate was 41.8% and 39.1% for the three months ended June 30, 2017 and 2016, respectively, and 39.5% and 39.4% for the six months ended June 30, 2017 and 2016, respectively. The effective income tax rate for the three months ended June 30, 2017 increased when compared to the same period in 2016 due to a one-time, non-cash cumulative charge to the provision for income taxes of $4, primarily the result of legislation enacted in the State of New York during the second quarter of 2017, and a tax benefit of $3 that was recorded during the second quarter of 2016. This increase in the effective income tax rate was partially offset for the six months ended June 30, 2017, by a $5 tax benefit from the new accounting standard for employee share-based payment awards which was adopted in the first quarter of 2017. Under this updated guidance, tax benefits or shortfalls related to employee share-based payments awards are recognized in the provision for income taxes, whereas they previously were recorded as additional paid-in capital on the Consolidated Balance Sheet. See Note 2 – New Accounting Standards in the Notes to Consolidated Financial Statements for further discussion on the impacts of the updated guidance.

On April 11, 2017, the State of New York enacted legislation that increased the state income tax rate on the Company's taxable income attributable to New York. This legislation eliminated the production of water as a qualified manufacturing activity in New York, which effectively increased the state income tax rate in New York. As a result of the legislative change, the Company was required to re-measure its cumulative deferred tax balances using the higher state income tax rate in the second quarter of 2017. This change in legislation was the primary cause of an increase to the Company's unitary deferred tax liability of $11. The portion of this increase related to the Company's New York subsidiary calculated on a stand-alone basis was $7, and was offset by a regulatory asset, as the Company believes it is probable of recovery in future rates. The remaining increase in the deferred tax liability was calculated through state tax apportionment rates and recorded at the consolidated level, resulting in a non-cash, cumulative charge to earnings of $4 during the second quarter of 2017.

On July 7, 2017, the State of Illinois enacted legislation that would increase the state income tax rate on the Company's taxable income attributable to Illinois from 7.75% to 9.5%. The effective date of the increase in the state tax rate is July 1, 2017. As a result of the legislative change, the Company will be required to re-measure its cumulative deferred tax balances using the higher state income tax rate in the third quarter of 2017. The portion of this increase related to the Company's Illinois subsidiary calculated on a stand-alone basis is expected to be offset by a regulatory asset, as the Company believes it is probable of recovery in future rates. The remaining increase in the deferred tax liability will be calculated through state tax apportionment rates and recorded at the consolidated level, as a non-cash, cumulative charge to earnings during the third quarter of 2017.

Note 8: Pension and Other Postretirement Benefits

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Components of net periodic pension benefit cost				
Service cost	$ 8	$ 8	$ 17	$ 16
Interest cost	20	20	40	40
Expected return on plan assets	(23)	(24)	(47)	(48)
Amortization of actuarial loss	9	7	18	14
Net periodic pension benefit cost	$ 14	$ 11	$ 28	$ 22
Components of net periodic other postretirement benefit cost				
Service cost	$ 2	$ 3	$ 5	$ 6
Interest cost	6	8	13	15
Expected return on plan assets	(6)	(7)	(13)	(13)
Amortization of prior service credit	(4)	—	(9)	(1)
Amortization of actuarial loss	2	1	5	2
Net periodic other postretirement benefit cost	$ —	$ 5	$ 1	$ 9

The Company made contributions for the funding of its defined benefit pension plans of $10 and $8 for the three months ended June 30, 2017 and 2016, respectively, and $20 and $17 for the six months ended June 30, 2017 and 2016, respectively, and expects to contribute $20 during the remainder of 2017. In addition, the Company made contributions for the funding of its other postretirement plans of $2 and $6 for the three months ended June 30, 2017 and 2016, respectively, and $3 and $11 for the six months ended June 30, 2017 and 2016, respectively, and expects to contribute $3 during the remainder of 2017.

Note 9: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of June 30, 2017, the Company has accrued approximately $139 of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $28. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 9, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

Background

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol, or MCHM, and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the West Virginia-American Water Company (“WVAWC”) treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection (“DEP”), WVAWC took immediate steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a “Do Not Use” order for all of its approximately 93,000 customer accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC’s customers were subject to the Do Not Use order.

Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, 74 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. On January 28, 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed pending the negotiation by the parties and approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. On July 7, 2016, the court in the Federal action scheduled trial to begin on October 25, 2016, but the court has granted several continuances of the trial, which is currently postponed indefinitely in light of the binding global agreement in principle described below. The Mass Litigation Panel has also stayed its proceedings until October 23, 2017.

WVAWC Binding Global Agreement in Principle to Settle Claims

On October 31, 2016, the court in the Federal action approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle claims (the "Settlement") among the American Water Defendants, and all class members, putative class members, claimants and potential claimants (collectively, the "Plaintiffs"), arising out of the Freedom Industries chemical spill. The terms of the Settlement propose a global federal and state resolution of all litigation and potential claims against the American Water Defendants and their insurers. A claimant may elect to opt out of any final settlement agreement, in which case such claimant will not receive any benefit from or be bound by the terms of the Settlement. Under the terms and conditions of the Settlement and any subsequent final settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved.

The proposed aggregate pre-tax amount of the Settlement is $126, of which $65 would be contributed by WVAWC, and the remainder would be contributed by certain of the Company's general liability insurance carriers. The Company has general liability insurance under a series of policies underwritten by a number of individual carriers. Two of these insurance carriers, which provide an aggregate of $50 in insurance coverage to the Company under these policies, were requested, but presently have not agreed, to participate in the Settlement. The Company and WVAWC are vigorously pursuing their rights to insurance coverage from these non-participating carriers for any contributions by WVAWC to the Settlement. In this regard, WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constitutes a breach of contract, and the Company is pursuing mandatory arbitration against the other non-participating carrier.

The preliminary terms of the Settlement intend to establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76, of which $51 will be contributed by WVAWC, including insurance deductibles, and $25 would be contributed by one of the Company's general liability insurance carriers, and (ii) an individual review claim fund of up to $50, of which up to $14 would be contributed by WVAWC and $36 would be contributed by a number of the Company's general liability insurance carriers. Separately, up to $25 would be contributed to the guaranteed fund by another defendant to the Settlement.

As a result of these events, the Company recorded a charge to earnings, net of insurance receivables, of $65 ($39 after-tax) in the third quarter of 2016. The settlement amount of $126 is reflected in Accrued Liabilities and the offsetting insurance receivable is reflected in Other Current Assets in the Consolidated Balance Sheet as of June 30, 2017. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia for approximately $4 in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The $36 to be contributed by a number of the Company's general liability insurance carriers to the individual review claim fund, as noted above, is from higher layers of the insurance structure than the two insurance carriers that were requested, but presently have not agreed, to participate in the Settlement. Any recovery by WVAWC or the Company from the non-participating carriers would reimburse WVAWC for its contributions to the guaranteed fund.

On April 27, 2017, the parties filed with the court in the Federal action a proposed settlement agreement providing details of the terms of the Settlement consistent with those described above. The parties also requested that the court in the Federal action grant preliminary approval of the Settlement.

On July 6, 2017, the court in the Federal action issued an opinion denying without prejudice the joint motion for preliminary approval of the Settlement. The court in the Federal action found the overall amount and structure of the Settlement to be fair, adequate and reasonable, but it declined to preliminarily approve the Settlement on several grounds, including the fairness of the methodology for allocating payments among members of the business class, the nature of the claims appeal process and the timing of the payment of claims that are subject to appeal, and the fairness of setting of fixed payments for the medical claims class. The American Water Defendants intend to work with the Plaintiffs to propose acceptable alternative provisions to the Settlement Agreement to satisfy the concerns of the court in the Federal action. If and when preliminary approval of the Settlement is obtained, notice of the terms of the Settlement would then be provided to members of the settlement class. Following the notice period, the court in the Federal action would hold a fairness hearing to consider final approval of the Settlement.

Other Related Proceedings

Additionally, investigations with respect to the matter have been initiated by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the Public Service Commission of West Virginia (the "PSC"). As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act.

In May 2014, the PSC issued an Order initiating a General Investigation into certain matters relating to WVAWC's response to the Freedom Industries chemical spill. Three parties intervened in the proceeding, including the Consumer Advocate Division of the PSC and two attorney-sponsored groups, including one sponsored by some of the plaintiffs' counsel involved in the civil litigation described above. On January 26, 2017, WVAWC and the other parties agreed to resolve the General Investigation and filed a joint stipulation with the PSC containing the terms of the settlement. The parties to the joint stipulation filed a proposed order with the PSC on February 8, 2017. On June 15, 2017, the PSC entered an order accepting the joint stipulation that had been filed by the parties in January 2017 as a reasonable basis for resolving the General Investigation and removing the proceeding from the docket. The PSC's order did not require WVAWC to take any further action with respect to the matters covered by the General Investigation. The PSC order concludes the General Investigation.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. On September 28, 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. The Company provided written comments to the CSB's report suggesting that the recommendation made to the Company would be better directed to the U.S. Environmental Protection Agency in order to promote industry-wide implementation of the CSB's recommendation. On February 15, 2017, the Company filed a response to the CSB's recommendation. On April 4, 2017, the CSB indicated that the implementation by the Company of source water protection activities resolved the first two parts of the CSB's recommendation. The CSB also noted that compliance by the Company with the third part of its recommendation is ongoing and that closure of this part is contingent upon completion of updated contingency planning for the Company's water utilities outside of West Virginia. In light of public response to its original September 2016 investigation report, on May 11, 2017, the CSB issued a new version of this report. The primary substantive change addressed CSB's factual evaluation of the duration and volume of contamination from the leaking tank, decreasing its estimate of the leak time but increasing the volume estimate by 10%. No substantive changes were made to the conclusions and recommendations in the original report.

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the "public nuisance" it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a complaint in Lincoln County state court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public nuisance in Lincoln County. On June 12, 2017, the Mass Litigation Panel entered an order granting a motion to transfer this case to its jurisdiction and stayed the case consistent with the existing stay order. The complaint seeks an injunction against WVAWC that would require the creation of various databases and public repositories of documents related to this chemical spill, as well as further study and risk assessments regarding the alleged exposure by Lincoln County residents to the released chemicals. WVAWC believes that the lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

California Public Utilities Commission Residential Rate Design Proceeding

In December 2016, the California Public Utilities Commission (the "CPUC") issued a final decision in a proceeding involving California-American Water Company, the Company's wholly owned subsidiary ("Cal Am"), adopting a new residential rate design for Cal Am's Monterey District. The decision allowed for recovery by Cal Am of $32 in under-collections in the water revenue adjustment mechanism/modified cost balancing account ("WRAM/MCBA") over a five-year period, plus interest, and modified existing conservation and rationing plans. In its decision, the CPUC noted concern regarding Cal Am's residential tariff administration, specifically regarding the lack of verification of customer-provided information about the number of residents per household. This information was used for generating billing determinants under the tiered rate system. As a result, the CPUC kept this proceeding open to address several issues, including whether Cal Am's residential tariff administration violated a statute, rule or CPUC decision, and if so, whether a penalty should be imposed.

On February 24, 2017, Cal Am, the Monterey Peninsula Water Management District, the CPUC's Office of Ratepayer Advocates, and the Coalition of Peninsula Businesses filed for CPUC approval of a joint settlement agreement (the "Joint Settlement Agreement"), which among other things, proposed to resolve the CPUC's residential tariff administration concerns by providing for a waiver by Cal Am of $0.5 of cost recovery for residential customers through the WRAM/MCBA in lieu of a penalty. Approval of the Joint Settlement Agreement, which is required for it to take effect, remains pending before the CPUC.

On March 28, 2017, the administrative law judge assigned to the proceeding issued a ruling stating there was sufficient evidence to conclude, on a preliminary basis, that Cal Am's administration of the residential tariff violated certain provisions of the California Public Utilities Code and a CPUC decision. The ruling ordered Cal Am to show cause why it should not be penalized for these administrative violations and directed the settling parties to address whether the cost recovery waiver in the Joint Settlement Agreement was reasonable compared to a potential penalty range described by the administrative law judge. During hearings held on April 13-14, 2017, the administrative law judge clarified that this potential penalty range is $3 to $179 (calculated as a continuing violation dating back to 2000 and applying penalties of up to $20 thousand per day until January 1, 2012 and penalties of up to $50 thousand per day thereafter, reflecting a 2012 change to the relevant statute). The administrative law judge also noted that a per diem penalty may not be appropriate, as Cal Am's monthly billing practices did not allow Cal Am to update customer-provided information for billing purposes on a daily basis. The administrative law judge has set further hearings in this proceeding for August 17, 2017, and has permitted certain of the parties, including Cal Am, to submit additional written testimony on the issue of whether Cal Am should be penalized, and if so, the reasonable amount of any such penalty.

As of June 30, 2017, the portions of this loss contingency that are probable and/or reasonable possible have been determined to be immaterial to the Company and have been included in the aggregate maximum amounts described above in the first paragraph of "Contingencies" in this Note 9.

Missouri Infrastructure System Replacement Surcharge Litigation

In March 2016, the Western District of the Missouri Court of Appeals ruled that the Missouri Public Service Commission ("MoPSC") did not have statutory authority to issue an order in June 2015 approving an infrastructure system replacement surcharge ("ISRS") for Missouri-American Water Company ("MAWC"), a wholly owned subsidiary of the Company. The court held that the MoPSC's June 2015 order authorizing the ISRS increase was invalid because St. Louis County did not have a population of at least one million residents, as required by the statute. MAWC believes that the MoPSC's June 2015 order authorizing the collection of ISRS revenues is lawful. In June 2016, the Missouri Supreme Court granted MAWC's application to transfer the case from the Court of Appeals to the Missouri Supreme Court, and as a result of that order, the March 2016 ruling of the Court of Appeals was vacated.

On March 14, 2017, in a unanimous decision, the Missouri Supreme Court dismissed the case as moot, finding that there were no longer any ISRS funds in dispute because MAWC had completed a rate case during the appellate process and the disputed charges were now incorporated in base rates. On May 30, 2017, the Missouri Supreme Court denied a Motion for Rehearing filed by the Missouri Office of Public Counsel, which action concluded the litigation in this matter.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of WVAWC's West Relay pumping station located in the City of Dunbar. The failure of the main caused water outages and low pressure to up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was completed safely on June 30, 2015. Water service was fully restored on July 1, 2015 to all customers affected by this event.

On June 2, 2017, a class action complaint was filed in West Virginia Circuit Court in Kanawha County against WVAWC on behalf of a purported class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The plaintiff seeks unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC intends to vigorously defend itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible losses or a range of such losses related to this proceeding.

Note 10: Earnings per Common Share

The following is a reconciliation of the numerator and denominator for basic and diluted earnings per share calculations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator				
Net income attributable to common stockholders	$ 131	$ 137	$ 224	$ 219
Denominator				
Weighted-average common shares outstanding—Basic	178	178	178	178
Effect of dilutive common stock equivalents	1	—	1	—
Weighted-average common shares outstanding—Diluted	179	178	179	178

The effect of dilutive common stock equivalents is related to restricted stock units and performance stock units granted under the 2007 and 2017 Omnibus Equity Compensation Plans, as well as shares purchased under the Company's Nonqualified Employee Stock Purchase Plan.

Note 11: Fair Value of Financial Assets and Liabilities

Fair Value of Financial Instruments

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

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

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

The carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and fair values of the financial instruments were as follows:

	Carrying Amount	At Fair Value as of June 30, 2017			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 11	$ —	$ —	$ 14	$ 14
Long-term debt (excluding capital lease obligations)	6,333	4,007	1,348	1,847	7,202

	Carrying Amount	At Fair Value as of December 31, 2016			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 12	$ —	$ —	$ 15	$ 15
Long-term debt (excluding capital lease obligations)	6,320	3,876	1,363	1,805	7,044

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level in the fair value hierarchy:

	At Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 29	$ —	$ —	$ 29
Rabbi trust investments	13	—	—	13
Deposits	3	—	—	3
Mark-to-market derivative assets	—	25	—	25
Other investments	2	—	—	2
Total assets	47	25	—	72
Liabilities:				
Deferred compensation obligations	15	—	—	15
Mark-to-market derivative liabilities	—	—	—	—
Total liabilities	15	—	—	15
Total net assets (liabilities)	$ 32	$ 25	$ —	$ 57

	At Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 24	$ —	$ —	$ 24
Rabbi trust investments	12	—	—	12
Deposits	3	—	—	3
Mark-to-market derivative assets	—	28	—	28
Other investments	1	—	—	1
Total assets	40	28	—	68
Liabilities:				
Deferred compensation obligations	13	—	—	13
Mark-to-market derivative liabilities	—	—	—	—
Total liabilities	13	—	—	13
Total net assets (liabilities)	$ 27	$ 28	$ —	$ 55

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations and maintenance projects. The proceeds of these financings are held in escrow until the designated expenditures are incurred. Long-term restricted funds of $1 and $4 were included in other long-term assets as of June 30, 2017 and December 31, 2016, respectively.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

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

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

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets.

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

Note 12: Segment Information

The Company conducts its business primarily through one reportable segment, the Regulated Businesses segment. The Company also operates several businesses that provide a broad range of related and complementary water and wastewater services in four operating segments that individually do not meet the criteria of a reportable segment in accordance with GAAP. These four non-reportable operating segments are collectively presented as the Company's "Market-Based Businesses". "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The following tables include the Company's summarized segment information:

	As of or for the Three Months Ended June 30, 2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 746	$ 103	$ (5)	$ 844
Depreciation and amortization	119	4	3	126
Total operating expenses, net	453	89	(6)	536
Interest, net	67	(1)	19	85
Income from continuing operations before income taxes	230	15	(19)	226
Provision for income taxes	90	7	(2)	95
Net income attributable to common stockholders	140	9	(18)	131
Total assets	16,982	570	1,414	18,966

	As of or for the Three Months Ended June 30, 2016			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 716	$ 115	$ (4)	$ 827
Depreciation and amortization	109	4	2	115
Total operating expenses, net	434	98	(4)	528
Interest, net	63	(1)	19	81
Income from continuing operations before income taxes	221	22	(18)	225
Provision for income taxes	86	9	(7)	88
Net income attributable to common stockholders	135	13	(11)	137
Total assets	15,780	523	1,403	17,706

	As of or for the Six Months Ended June 30, 2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 1,405	$ 206	$ (11)	$ 1,600
Depreciation and amortization	236	8	6	250
Total operating expenses, net	894	183	(12)	1,065
Interest, net	133	(1)	38	170
Income from continuing operations before income taxes	384	25	(38)	371
Provision for income taxes	150	10	(13)	147
Net income attributable to common stockholders	234	15	(25)	224
Total assets	16,982	570	1,414	18,966

	As of or for the Six Months Ended June 30, 2016			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 1,350	$ 229	$ (9)	$ 1,570
Depreciation and amortization	217	7	7	231
Total operating expenses, net	864	202	(9)	1,057
Interest, net	127	(1)	35	161
Income from continuing operations before income taxes	364	32	(35)	361
Provision for income taxes	142	13	(13)	142
Net income attributable to common stockholders	222	19	(22)	219
Total assets	15,780	523	1,403	17,706

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

The following discussion should be read together with the unaudited consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as result of a number of factors, including those we discuss under "Forward-Looking Statements," and elsewhere in this Form 10-Q.

General

Through its subsidiaries, American Water Works Company, Inc. ("American Water" or the "Company") is the largest and most geographically diverse investor-owned publicly-traded water and wastewater utility company in the United States, as measured by both operating revenue and population served. Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial and other customers, including sale for resale and public authority customers. Our utilities are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation. We report the results of our utilities in our Regulated Businesses segment. We also operate several businesses that provide a broad range of related and complementary water and wastewater services that are not subject to economic regulation by state utility commissions or other entities engaged in utility regulation. We present the results of these businesses as our "Market-Based Businesses." For further description of our businesses, see Part I, Item 1—Business in our Form 10-K.

You should read the following discussion in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Form 10-Q and in our Form 10-K.

Financial Results

Income attributable to common stockholders was $131 million, or $0.73 per diluted share, for three months ended June 30, 2017, a decrease of 5.2% over the same period in 2016. Net income from our Regulated Businesses segment increased 3.7% from infrastructure investment growth, acquisitions and organic growth. Offsetting this was lower net income in our Market-Based Businesses primarily due to lower capital upgrades in our Military Services Group compared to the same period in 2016, and lower net income at the Parent largely from a one-time, non-cash, cumulative tax adjustment from a legislative change adopted in New York during the second quarter, exempting water utilities from the manufacturers tax deduction.

Income attributable to common stockholders was $224 million, or $1.26 per diluted share, for the six months ended June 30, 2017, an increase of 2.4% over the same period in 2016. Net income from our Regulated Businesses segment increased 5.4% from infrastructure investment growth, acquisitions and organic growth. Net income from our Market-Based Businesses decreased primarily due to lower capital upgrades in our Military Services Group. Net income at the Parent also decreased primarily from the one-time, non-cash, cumulative tax adjustment discussed above.

See "Comparison of Consolidated Results of Operations" and "Segment Results of Operations" below for further discussion on the consolidated results of operations, as well as our business segments.

Focusing on Central Themes

For 2017, our focus continues to be anchored on our five central themes: 1) Safety, 2) Customers, 3) People, 4) Growth and 5) Technology and Operational Efficiency. We continue our focus on operating our business responsibly and managing our operating and capital costs in a manner that benefits our customers and produces long-term value for our stockholders. Additionally, we continue to execute on our ongoing strategy that ensures a safe workplace for our employees, emphasizes public safety for our customers and communities, and leverages our human resources, processes and technology innovation to make our business more effective and efficient. The progress that we have made during the first six months of 2017 with respect to growth and improvement in our operational efficiency ratio is described below.

Growth—Infrastructure improvements, acquisitions and strategic capital investments

During the first six months of 2017, we made capital investments of approximately $618 million, focused in two key areas:

- $576 million of which the majority was in our Regulated Businesses segment for infrastructure improvements; and
- $42 million to fund acquisitions in our Regulated Businesses segment, which added approximately 15,000 water and wastewater customers. This includes the acquisition on April 3, 2017, of all the outstanding capital stock of Shorelands Water Company, Inc. ("Shorelands"), for total consideration of $33 million in the form of 438,211 shares of our common stock. Shorelands, which is now a part of our New Jersey subsidiary, provides water service to approximately 11,000 customers in Monmouth County, New Jersey.

For the full year of 2017, our capital investment, including regulated acquisitions, is expected to be in the range of $1.5 billion to $1.6 billion.

Included in this range is the asset purchase agreement signed by our Pennsylvania subsidiary to acquire substantially all of the wastewater collection and treatment system assets of the Municipal Authority of the City of McKeesport, Pennsylvania for approximately $162 million, subject to certain adjustments provided in the agreement. In connection with the execution of this agreement, $7 million in non-escrowed deposits have been made to the seller. The closing of this acquisition is subject to the satisfaction of various conditions and covenants, including obtaining the approval of the Pennsylvania Public Utility Commission. The system currently represents approximately 22,000 wastewater customers. We are expecting to close this acquisition by the first quarter of 2018.

Technology & Operational Efficiency—Continuing Improvement in Adjusted Operation and Maintenance ("O&M") Efficiency Ratio for our Regulated Businesses

We continued to improve on our adjusted O&M efficiency ratio (a non-GAAP measure). Our adjusted O&M efficiency ratio for the twelve months ended June 30, 2017 was 34.5%, compared to 35.2% for the twelve months ended June 30, 2016. The improvement in this ratio for the twelve months ended June 30, 2017, as compared to the same period in 2016, was primarily attributable to an increase in regulated operating revenue.

Our adjusted O&M efficiency ratio is defined as our regulated operation and maintenance expenses divided by regulated operating revenues, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Additionally, from the operation and maintenance expenses, we excluded the allocable portion of non-operation and maintenance support services cost, mainly depreciation and general taxes that are reflected in our Regulated Businesses segment as operation and maintenance expenses but for consolidated financial reporting purposes are categorized within other line items in the accompanying Consolidated Statements of Operations. In addition to the standard adjustments to our adjusted O&M efficiency ratio for the twelve months ended June 30, 2017, we have also excluded from operation and maintenance expenses, the impact from the binding global agreement in principle related to the Freedom Industries chemical spill in West Virginia. We excluded all the above items from the calculation as we believe such items are not reflective of management's ability to increase efficiency of our regulated operations.

We evaluate our operating performance using this measure because we believe it is a direct measure of the improvement to the efficiency of our regulated operations. This information is intended to enhance an investor's overall understanding of our operating performance. Our adjusted O&M efficiency ratio is not a GAAP financial measure and may not be comparable to other companies' operating measures and should not be used in place of the GAAP information provided elsewhere in this report.

The following table provides the calculation and reconciliation that compares operation and maintenance expenses and operating revenues, as determined in accordance with GAAP, to those amounts utilized in the calculation of our adjusted O&M efficiency ratio for the twelve months ended June 30, 2017, as compared to the same period in 2016:

	For the Twelve Months Ended June 30,	
(In millions)	**2017**	**2016**
Total operation and maintenance expenses	$ 1,491	$ 1,443
Less:		
Operation and maintenance expenses—Market-Based Businesses	351	397
Operation and maintenance expenses—Other	(43)	(43)
Total operation and maintenance expenses—Regulated Businesses	1,183	1,089
Less:		
Regulated purchased water expenses	123	116
Allocation of non-operation and maintenance expenses	27	32
Impact of binding global agreement in principle	65	—
Adjusted operation and maintenance expenses—Regulated Businesses (a)	$ 968	$ 941
Total operating revenues	$ 3,332	$ 3,249
Less:		
Operating revenues—Market-Based Businesses	428	476
Operating revenues—Other	(22)	(18)
Total regulated operating revenues—Regulated Businesses	2,926	2,791
Less:		
Regulated purchased water revenues*	123	116
Adjusted operating revenues—Regulated Businesses (b)	$ 2,803	$ 2,675
Adjusted operation and maintenance efficiency ratio—Regulated Businesses (a)/(b)	34.5%	35.2%

* Calculation assumes purchased water revenues approximate purchased water expenses.

Regulatory Matters

The table below provides rate authorizations by state, which became effective during the three and six months ended June 30, 2017. The table depicts annualized incremental revenues resulting from general rate cases, assuming a constant water sales volume, and infrastructure surcharge mechanisms that became effective during the periods:

(In millions)	**For the Three Months Ended June 30, 2017**	**For the Six Months Ended June 30, 2017**
General rate cases by state:		
New York (June 1)	$ 4	$ 4
Virginia (April 1)	5	5
Iowa (March 27)	—	4
California (January 13 - February 2)	—	5
Illinois (January 1)	—	25
Total general rate cases	$ 9	$ 43
Infrastructure surcharges by state:		
New Jersey (June 1)	$ 10	$ 10
Indiana (March 22)	—	8
Tennessee (March 14)	—	2
Pennsylvania (January 1)	—	1
West Virginia (January 1)	—	2
Total infrastructure surcharges	$ 10	$ 23

Pending and Filed Rate Cases

On April 3, 2017, our California subsidiary filed a cost of capital application requesting a cost of capital of 8.49%, compared to 8.41% currently authorized. The results of this proceeding will not become effective until January 2018.

On April 28, 2017, our Pennsylvania subsidiary filed a general rate case requesting $108 million in additional annualized water and wastewater revenues.

On May 15, 2017, our Missouri subsidiary filed for additional annualized revenues from an infrastructure surcharge in the amount of $5 million.

On June 15, 2017, our West Virginia subsidiary filed for additional annualized revenues from an infrastructure surcharge in the amount of $3 million.

On June 30, 2017, our Missouri subsidiary filed a general rate case requesting $84 million in additional annualized water and wastewater revenues.

In addition to the filings discussed above, we are awaiting a final general rate case order in our California subsidiary, requesting additional annualized revenue of $35 million and step rate and attrition rate increases of $8 million in both 2019 and 2020. There is no assurance that all or any portion of these requests will be granted.

Other Tax Matters

On April 11, 2017, the State of New York enacted legislation that increased the state income tax rate on our taxable income attributable to New York. This legislation eliminated the production of water as a qualified manufacturing activity in New York, which effectively increased the state income tax rate in New York. As a result of the legislative change, we were required to re-measure our cumulative deferred tax balances using the higher state income tax rate in the second quarter of 2017. This change in legislation was the primary cause of an increase to our unitary deferred tax liability of $11 million. The portion of this increase related to our New York subsidiary calculated on a stand-alone basis was $7 million, and was offset by a regulatory asset, as we believe it is probable of recovery in future rates. The remaining increase in the deferred tax liability was calculated through state tax apportionment rates and recorded at the consolidated level, resulting in a non-cash, cumulative charge to earnings of $4 million during the second quarter of 2017.

On July 7, 2017, the State of Illinois enacted legislation that increased, effective July 1, 2017, the state income tax rate on our taxable income attributable to Illinois from 7.75% to 9.5%. As a result of the legislative change, we will be required to re-measure our cumulative deferred tax balances using the higher state income tax rate in the third quarter of 2017. This re-measurement is expected to increase our deferred tax liability by $6 million. The portion of this increase related to our Illinois subsidiary calculated on a stand-alone basis and is estimated to be $3 million, and is expected to be offset by a regulatory asset, as we believe it is probable of recovery in future rates. The remaining increase in the deferred tax liability will be calculated through state tax apportionment rates and recorded at the consolidated level. We expect this will result in a non-cash, cumulative charge to earnings of $3 million during the third quarter of 2017.

During the second quarter of 2017, we were notified by the assessor for St. Louis County, Missouri, that it was changing its long standing practice of valuing regulated water and wastewater property located in the County using a seven-year life, and instead intends to use a twenty-year life for a substantial portion of this property. During the second quarter of 2017, we were also notified by the assessor for Platte County, Missouri, that it intended to change its long standing practice of valuing regulated water and wastewater property located in the County using a twenty-seven-year life, and instead intends to use a fifty-year life for a substantial portion of this property. These changes in practice and the resulting valuations as assessed by the respective County, will increase our property tax obligation beginning in 2017. We are currently evaluating if we intend to appeal these assessments once received. We have asked the Missouri regulator for an accounting recovery mechanism that would allow deferral of any increase in tax resulting from these changes in long standing practice, and we believe these increases are recoverable through future customer rates. As a result, during the second quarter of 2017, we recorded the additional estimated increase in property tax obligation of $2 million, with an offset to a regulatory asset.

Consolidated Results of Operations

(In millions)	For the Three Months Ended June 30, 2017	2016	Increase (Decrease)	%	For the Six Months Ended June 30, 2017	2016	Increase (Decrease)	%
Operating revenues	$ 844	$ 827	$ 17	2.1	$ 1,600	$ 1,570	$ 30	1.9
Operating expenses:								
Operation and maintenance	349	351	(2)	(0.6)	686	699	(13)	(1.9)
Depreciation and amortization	126	115	11	9.6	250	231	19	8.2
General taxes	63	64	(1)	(1.6)	131	130	1	0.8
Gain on asset dispositions and purchases	(2)	(2)	—	—	(2)	(3)	1	(33.3)
Total operating expenses, net	536	528	8	1.5	1,065	1,057	8	0.8
Operating income	308	299	9	3.0	535	513	22	4.3
Other income (expenses):								
Interest, net	(85)	(81)	(4)	4.9	(170)	(161)	(9)	5.6
Other, net	3	7	(4)	(57.1)	6	9	(3)	(33.3)
Total other income (expenses)	(82)	(74)	(8)	10.8	(164)	(152)	(12)	7.9
Income from continuing operations before income taxes	226	225	1	0.4	371	361	10	2.8
Provision for income taxes	95	88	7	8.0	147	142	5	3.5
Net income attributable to common stockholders	$ 131	$ 137	$ (6)	(4.4)	$ 224	$ 219	$ 5	2.3

Comparison of Consolidated Results of Operations

Operating revenues. For the three months ended June 30, 2017, operating revenues increased primarily due to a:

- $30 million increase in our Regulated Businesses segment largely due to authorized rate increases to fund infrastructure investment growth, acquisitions and organic growth, partially offset by lower demand in 2017 and warmer weather in the second quarter of 2016; partially offset by
- $12 million decrease in our Market-Based Businesses principally due to lower capital upgrades in our Military Services Group in 2017 as compared to 2016, largely attributable to reduced military base budgets and the completion of a large project in mid-2016 at Fort Polk. Partially offsetting this decrease were incremental revenues from our Homeowner Services Group from customer additions and price increases for certain existing customers.

For the six months ended June 30, 2017, operating revenues increased primarily due to a:

- $55 million increase in our Regulated Businesses segment largely due to authorized rate increases to fund infrastructure investment growth, acquisitions and organic growth, partially offset by lower demand in 2017 and warmer weather in the second quarter of 2016; partially offset by
- $23 million decrease in our Market-Based Businesses principally due to lower capital upgrades in our Military Services Group in 2017 as compared to 2016, largely attributable to reduced military base budgets and the completion of a large project in mid-2016 at Fort Polk. Partially offsetting this decrease were incremental revenues from our Homeowner Services Group from customer additions and price increases for certain existing customers.

Operation and maintenance. For the three months ended June 30, 2017, operation and maintenance expense decreased primarily due to a:

- $10 million decrease in our Market-Based Businesses principally due to lower capital upgrades in our Military Services Group, as discussed above, partially offset by higher expenses in our Homeowner Services Group from contract growth and incremental claims expense; and
- $7 million increase in our Regulated Businesses segment largely due to higher production costs and an increase in customer uncollectible expense.

Operation and maintenance. For the six months ended June 30, 2017, operation and maintenance expense decreased primarily due to a:

- $21 million decrease in our Market-Based Businesses principally due to lower capital upgrades in our Military Services Group, as discussed above; and other cost savings being driven across the business. Partially offsetting this decrease were higher expenses in our Homeowner Services Group from contract growth and incremental claims expense; and
- $7 million increase in our Regulated Businesses segment largely due to higher production costs, as well as an increase in materials and supplies, largely due to timing.

Depreciation and amortization. For the three and six months ended June 30, 2017, depreciation and amortization expense increased primarily due to additional utility plant placed in service.

Other income (expenses). For the three and six months ended June 30, 2017, other expenses increased primarily due to an increase in long-term interest expense from the issuance of incremental long-term debt in the fourth quarter of 2016, as well as an increase in short-term interest expense resulting from higher levels of short-term borrowings, coupled with an increase in the average short-term borrowing rates. Approximately $3 million and $5 million of the increase in interest is attributed to our Regulated Businesses segment for the three and six months ended June 30, 2017, respectively. Additionally, the prior year's results included a settlement of a contract dispute in our Market-Based Businesses.

Provision for income taxes. For the three and six months ended June 30, 2017, our provision for income taxes increased primarily due to a one-time, non-cash cumulative adjustment of $4 million, as a result of legislation enacted in the State of New York, eliminating the production of water as a manufacturing activity, effectively increasing the income tax rate in the state.

Segment Results of Operations

Our segments are determined based on how we assess performance and allocate our resources. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being income from continuing operations.

We conduct our business primarily through one reportable segment, our Regulated Businesses segment. We also operate several businesses that provide a broad range of related and complementary water and wastewater services in four operating segments that individually do not meet the criteria of a reportable segment in accordance with GAAP. These four non-reportable operating segments are collectively presented as our "Market-Based Businesses", which is consistent with how management assesses the results of our businesses.

Regulated Businesses Segment

The following table summarizes certain financial information for our Regulated Businesses segment:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)				%				%
Operating revenues	$ 746	$ 716	$ 30	4.2	$ 1,405	$ 1,350	$ 55	4.1
Operation and maintenance	276	269	7	2.6	538	531	7	1.3
Total operating expenses, net	453	434	19	4.4	894	864	30	3.5
Net income attributable to common stockholders	140	135	5	3.7	234	222	12	5.4

Operating revenues. The following tables and discussion provide explanation of the variances related to the three components of operating revenues—water services revenues, wastewater services revenues and other revenues:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)				%				%
Billed water services:								
Residential	$ 403	$ 383	$ 20	5.2	$ 767	$ 731	$ 36	4.9
Commercial	148	139	9	6.5	277	264	13	4.9
Industrial	34	33	1	3.0	66	63	3	4.8
Public and other	85	83	2	2.4	166	159	7	4.4
Other water revenues	10	15	(5)	(33.3)	25	26	(1)	(3.8)
Billed water services	680	653	27	4.1	1,301	1,243	58	4.7
Unbilled water services	15	22	(7)	(31.8)	8	27	(19)	(70.4)
Total water services revenues	695	675	20	3.0	1,309	1,270	39	3.1
Wastewater services revenues	36	28	8	28.6	70	55	15	27.3
Other revenues	15	13	2	15.4	26	25	1	4.0
Total operating revenues	$ 746	$ 716	$ 30	4.2	$ 1,405	$ 1,350	$ 55	4.1

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)				%				%
Billed water services volumes:								
Residential	41,575	40,936	639	1.6	77,560	77,345	215	0.3
Commercial	19,817	19,687	130	0.7	36,880	37,103	(223)	(0.6)
Industrial	9,679	9,541	138	1.4	18,557	18,181	376	2.1
Public and other	12,342	12,503	(161)	(1.3)	23,835	23,471	364	1.6
Billed water services volumes	83,413	82,667	746	0.9	156,832	156,100	732	0.5

For the three months ended June 30, 2017, operating revenues increased primarily due to a:

- $23 million increase due to authorized rate increases and infrastructure surcharges to fund infrastructure investment growth in various states; and
- $12 million increase due to higher demand relating to our water and wastewater acquisitions, as well as organic growth in existing systems; partially offset by a
- $7 million decrease due to lower demand, excluding the impact of completed acquisitions, when compared to the same period in 2016 and warmer weather in the second quarter of 2016.

For the six months ended June 30, 2017, operating revenues increased primarily due to a:

- $47 million increase due to authorized rate increases and infrastructure surcharges to fund infrastructure investment growth in various states; and
- $19 million increase due to higher demand relating to our water and wastewater acquisitions, as well as organic growth in existing systems; partially offset by a
- $15 million decrease due to lower demand, excluding the impact of completed acquisitions, when compared to the same period in 2016 and warmer weather in the second quarter of 2016.

Operation and maintenance. The following table summarizes information regarding the components of operation and maintenance expense:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)				%				%
Production costs	$ 74	$ 71	3	4.2	$ 137	$ 134	$ 3	2.2
Employee-related costs	111	112	(1)	(0.9)	222	221	1	0.5
Operating supplies and services	51	49	2	4.1	99	99	—	—
Maintenance materials and supplies	16	15	1	6.7	34	30	4	13.3
Customer billing and accounting	13	10	3	30.0	23	24	(1)	(4.2)
Other	11	12	(1)	(8.3)	23	23	—	—
Total	$ 276	$ 269	7	2.6	$ 538	$ 531	$ 7	1.3

For the three months ended June 30, 2017, operation and maintenance expense increased primarily due to a:

- $3 million increase in production costs principally due to purchased water price and usage increases in our California subsidiary, as well as increased waste disposal and fuel and power costs, mainly attributable to the acquisition of two wastewater systems in our Pennsylvania subsidiary in the fourth quarter of 2016; and
- $3 million increase in customer uncollectible expense.

For the six months ended June 30, 2017, operation and maintenance expense increased primarily due to a:

- $3 million increase in production costs principally due to purchased water price and usage increases in our California subsidiary, as well as increased waste disposal and fuel and power costs, mainly from the acquisition of two wastewater systems by our Pennsylvania subsidiary in the fourth quarter of 2016; and
- $4 million increase in maintenance materials and supplies largely due to timing of activities.

Operating expenses, net. For the three and six months ended June 30, 2017, operating expenses, net increased primarily due to the increase in operating and maintenance expense as explained above, and higher depreciation and amortization expense of $10 million and $19 million, respectively. This increase in depreciation and amortization expense was primarily due to additional utility plant placed in service. For the six months ended June 30, 2017, operating expenses, net, also increased by an increase in general taxes of $3 million, primarily due to higher gross receipts taxes in New Jersey and higher property taxes in 2017 driven by investment growth.

Market-Based Businesses

The following table summarizes certain financial information for our Market-Based Businesses:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)				%				%
Operating revenues	$ 103	$ 115	$ (12)	(10.4)	$ 206	$ 229	$ (23)	(10.0)
Operation and maintenance	84	94	(10)	(10.6)	172	193	(21)	(10.9)
Total operating expenses, net	89	98	(9)	(9.2)	183	202	(19)	(9.4)
Net income attributable to common stockholders	9	13	(4)	(30.8)	15	19	(4)	(21.1)

Operating revenues. For the three months ended June 30, 2017, operating revenues decreased primarily due to a:

- $20 million decrease in our Military Services Group principally due to lower capital upgrades in 2017 as compared to 2016, largely attributable to reduced military base budgets and the completion of a large project in mid-2016 at Fort Polk; partially offset by a
- $4 million increase in our Homeowner Services Group from customer additions and price increases for certain existing customers.

For the six months ended June 30, 2017, operating revenues decreased primarily due to a:

- $37 million decrease in our Military Services Group principally due to lower capital upgrades in 2017 as compared to 2016, largely attributable to reduced military base budgets and the completion of a large project in mid-2016 at Fort Polk; partially offset by a
- $10 million increase in our Homeowner Services Group from customer additions and price increases for certain existing customers.

Operation and maintenance. The following table summarizes information regarding the components of operation and maintenance expense:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)				%				%
Production costs	$ 9	$ 8	$ 1	12.5	$ 19	$ 17	$ 2	11.8
Employee-related costs	24	24	—	—	48	48	—	—
Operating supplies and services	28	43	(15)	(34.9)	58	90	(32)	(35.6)
Maintenance materials and supplies	19	17	2	11.8	41	33	8	24.2
Other	4	2	2	100.0	6	5	1	20.0
Total	$ 84	$ 94	$ (10)	(10.6)	$ 172	$ 193	$ (21)	(10.9)

For the three months ended June 30, 2017, operation and maintenance expense decreased primarily due to a:

- $15 million decrease in operating supplies and services principally due to lower capital upgrades in 2017 as compared to 2016, in our Military Services Group, as discussed above; partially offset by
- $4 million increase in maintenance services and supplies primarily due to contract growth and incremental claims activity in our Homeowner Services Group.

For the six months ended June 30, 2017, operation and maintenance expense decreased primarily due to a:

- $30 million decrease in operating supplies and services principally due to lower capital upgrades in 2017 as compared to 2016, in our Military Services Group, as discussed above; partially offset by
- $7 million increase in maintenance services and supplies primarily due to contract growth and incremental claims activity in our Homeowner Services Group.

Liquidity and Capital Resources

For a general overview of our sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources contained in our Form 10-K.

We fund liquidity needs for capital investment, working capital and other financial commitments through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowing under the American Water Capital Corp. ("AWCC") revolving credit facility. The revolving credit facility provides $1.75 billion in aggregate total commitments from a diversified group of financial institutions with an expiration date of June 2020 (subject to extension by us for up to two one-year periods). We regularly evaluate the capital markets and closely monitor the financial condition of the financial institutions with contractual commitments in our revolving credit facility.

In order to meet our short-term liquidity needs, we, through AWCC, our wholly owned financing subsidiary, issue commercial paper, which is supported by our revolving credit facility. As of June 30, 2017, AWCC had no outstanding borrowings and $86 million of outstanding letters of credit under the revolving credit facility, with $1.66 billion available to fulfill our short-term liquidity needs and to issue letters of credit. As of June 30, 2017, the revolving credit facility supported $1.1 billion in outstanding commercial paper. We believe that our ability to access the capital markets, our revolving credit facility and our cash flows from operations will generate sufficient cash to fund our short-term requirements. However, we can provide no assurances that the lenders will meet their existing commitments to AWCC under the credit facility or that we will be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all.

On February 8, 2017, we entered into a forward swap agreement with a notional amount of $100 million to reduce interest rate exposure for a portion of the expected refinancing of our 5.62% fixed-rate long-term debt maturing in December 2018. This forward starting swap agreement terminates in November 2018 and has an average fixed rate of 2.67%. During the three and six months ended June 30, 2017, the fair value of our five forward starting swaps decreased by $8 million and $3 million, respectively, due to lower net forward interest rates. Changes in the fair value of the forward starting swaps will be recognized in accumulated other comprehensive loss until the agreements terminate. See Note 6—Long-Term Debt in the Notes to Consolidated Financial Statements for further information.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the third quarter of each fiscal year. The following table provides a summary of the major items affecting cash flows provided by our operating activities:

	For the Six Months Ended June 30,	
	2017	2016
(In millions)		
Net income	$ 224	$ 219
Add (less):		
Non-cash activities (a)	375	388
Changes in working capital (b)	(52)	(43)
Pension and postretirement healthcare contributions	(23)	(28)
Net cash flows provided by operations	$ 524	$ 536

(a) Includes depreciation and amortization, deferred income taxes and amortization of deferred investment tax credits, provision for losses on accounts receivable, gain on asset dispositions and purchases, pension and non-pension postretirement benefits expense and other non-cash, net. Details of each component can be found in the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net.

For the six months ended June 30, 2017, decrease in cash flows from operating activities, as compared to the same period in 2016, is primarily due to the decrease in working capital primarily driven by the result of the lower capital upgrades in Military Services group and timing. These decreases were partially offset by increased net income after non-cash adjustments. The main factors contributing to the net income increase are described in this section under “Comparison of Consolidated Results of Operations” and included higher operating revenue and lower operation and maintenance expense, mainly driven by the lower capital upgrade work in the Military Services Group.

Cash Flows Used in Investing Activities

The following table provides information regarding cash flows used in our investing activities:

	For the Six Months Ended June 30,	
	2017	2016
(In millions)		
Net capital expenditures	$ (602)	$ (597)
Acquisitions	(9)	(24)
Other investing activities, net (a)	(29)	(44)
Net cash flows used in investing activities	$ (640)	$ (665)

(a) Includes removal costs from property, plant and equipment retirements, net, proceeds from sale of assets and net funds restricted.

For the six months ended June 30, 2017, cash used in investing activities decreased primarily due to the timing of payments for the capital expenditures and acquisitions, and decreased removal costs from property, plant and equipment retirements. We expect investments of approximately $1.5 billion to $1.6 billion in 2017 for capital expenditures and acquisitions. We have also begun the construction of our new corporate headquarters building in Camden, New Jersey. The cost of construction is currently estimated to be up to $165 million, exclusive of any tax incentives, of which $70 million is expected to be incurred in 2017.

Cash Flows Provided by Financing Activities

The following table provides information regarding cash flows provided by our financing activities:

	For the Six Months Ended June 30,	
	2017	2016
(In millions)		
Proceeds from long-term debt	$ 20	$ 2
Repayments of long-term debt	(6)	(13)
Net proceeds from short-term borrowings	268	321
Dividends paid	(141)	(127)
Anti-dilutive stock repurchases	(54)	(65)
Other financing activities, net (a)	18	18
Net cash flows provided by financing activities	$ 105	$ 136

(a) Includes proceeds from issuances of common stock under various employee stock plans and our dividend reinvestment plan, advances and contributions for construction, net of refunds, taxes paid related to employee stock plans and debt issuance costs.

For the six months ended June 30, 2017, the decrease in cash flows provided by financing activities, as compared to the same period in 2016, is primarily due to a decrease in proceeds from short-term borrowings in 2017 compared to 2016 related to incremental short-term borrowings in 2016 to fund a portion of the capital expenditures and acquisitions, partially offset by higher proceeds from long-term debt during 2017.

Credit Facilities and Short-Term Debt

The following table summarizes information regarding our aggregate credit facility commitments, letter of credit sub-limits and available funds under those revolving credit facilities, as well as outstanding amounts of commercial paper and outstanding borrowings under the respective facilities as of June 30, 2017:

	Credit Facilities Commitment (a)	Available Credit Facility Capacity (a)	Letter of Credit Sublimit	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
(In millions)						
June 30, 2017	$ 1,762	$ 1,672	$ 150	$ 64	$ 1,600	$ 483

(a) Includes amounts related to the revolving credit facility of Keystone Clearwater Solutions, LLC ("Keystone"), our water management solutions subsidiary. As of June 30, 2017, the total commitment under the Keystone revolving credit facility was $12 million, of which $8 million was available for borrowing, subject to compliance with a collateral base calculation.

The weighted-average interest rate on AWCC short-term borrowings for three months ended June 30, 2017 and 2016 was approximately 1.24% and 0.76%, respectively. The weighted-average interest rate on AWCC short-term borrowings for the six months ended June 30, 2017 and 2016 was approximately 1.14% and 0.75%, respectively.

Capital Structure

The following table indicates the percentage of our capitalization represented by the components of our capital structure as of the dates set forth below:

	June 30, 2017	December 31, 2016
Total common stockholders' equity	41.9%	42.1%
Long-term debt and redeemable preferred stock at redemption value	44.1%	46.4%
Short-term debt and current portion of long-term debt	14.0%	11.5%
	100%	100%

Debt Covenants

Our debt agreements contain financial and non-financial covenants. To the extent that we are not in compliance with these covenants, an event of default may occur under one or more debt agreements and we or our subsidiaries may be restricted in our ability to pay dividends, issue new debt or access our revolving credit facility. Our long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Our failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require us to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On June 30, 2017, our ratio was 0.58 to 1.00 and therefore we were in compliance with the covenants.

Security Ratings

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

Our long-term and short-term credit ratings as of June 30, 2017:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Senior unsecured debt	A3	A
Commercial paper	P-2	A-1

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

Dividends

On June 1, 2017, we paid a cash dividend of $0.415 per share to our stockholders of record as of May 5, 2017.

On July 28, 2017, our Board of Directors declared a quarterly cash dividend payment of $0.415 per share payable on September 1, 2017 to stockholders of record as of August 9, 2017. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends in our Form 10-K for more information regarding restrictions on the payment of dividends on our common stock.

Application of Critical Accounting Policies and Estimates

Our financial condition, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in our Form 10-K for a discussion of our critical accounting policies.

Recent Accounting Standards

See Note 2—New Accounting Standards to the Notes to Consolidated Financial Statements included in Part I, Item 1—Consolidated Financial Statements of this Quarterly Report on Form 10-Q for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. For a discussion of our exposure to market risk, refer to Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk contained in our Form 10-K. Except as described below, there have been no significant changes to our exposure to market risk since December 31, 2016.

On February 8, 2017, we entered into a forward starting swap agreement with a notional amount of $100 million to reduce interest rate exposure on debt expected to be issued in 2018. This forward starting swap agreement terminates in November 2018 and has an average fixed rate of 2.67%. A hypothetical one hundred basis point change in the forward starting swap rates would have resulted in a $21 million increase or decrease in fair value for the six months ended June 30, 2017.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Our management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2017.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2017, our disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

We concluded that there have been no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in our Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in our Form 10-K.

Alternative Water Supply in Lieu of Carmel River Diversions

On November 29, 2016, the Water Ratepayers Association of the Monterey Peninsula, a citizens' advocacy group, filed an action in Sacramento County Superior Court against the SWRCB and its board members, and naming Cal Am as the real party in interest, seeking to reverse the extension of the 2009 Order, to reverse the designation by the CPUC of Cal Am as the public utility water provider to the Monterey Peninsula, and to appoint a receiver to oversee Cal Am's compliance with the 2009 Order, with ultimate transfer to a public entity. In May 2017, Cal Am and the SWRCB filed demurrers to the action, and on June 12, 2017, the court entered an order sustaining those demurrers and dismissing the action with prejudice.

Regional Desalination Project Litigation

Trial has been set for June 18, 2018 in the consolidated action in San Francisco County Superior Court associated with the failure of the RDP.

Monterey Peninsula Water Supply Project

On January 12, 2017, the CPUC issued a Draft Environmental Impact Report/Environmental Impact Statement. The comment period for this report expired March 29, 2017 and a final report is expected to be issued in the fourth quarter of 2017 or the first quarter of 2018.

Trial has been set for August 30, 2017 for all matters raised in MCWD's November 2015 challenge to the amendment of Cal Am's coastal development permits for the test slant well, other than claims that had been denied by the court in September 2016.

On July 13, 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property on which intake wells will be located to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. If the test slant well is to remain at the site and be used as part of the Water Supply Project, as currently proposed, Cal Am will likely need to seek an amendment and extension of its coastal development permit to allow the test slant well to remain and be maintained in the interim period until the Water Supply Project is operational.

West Virginia Elk River Freedom Industries Chemical Spill

Background

Currently, 74 cases remain pending with respect to this matter in the U.S. District Court for the Southern District of West Virginia or the West Virginia Mass Litigation Panel.

On July 7, 2016, the court in the Federal action scheduled trial to begin on October 25, 2016, but the court has granted several continuances of the trial, which is currently postponed indefinitely in light of the proposed settlement agreement discussed below. The Mass Litigation Panel has also stayed its proceedings until October 23, 2017.

WVAWC Binding Global Agreement in Principle to Settle Claims

On April 27, 2017, the parties filed with the court in the Federal action a proposed settlement agreement providing details of the terms of the Settlement consistent with those described above. The parties also requested that the court in the Federal action grant preliminary approval of the Settlement.

On July 6, 2017, the court in the Federal action issued an opinion denying without prejudice the joint motion for preliminary approval of the Settlement. The court in the Federal action found the overall amount and structure of the Settlement to be fair, adequate and reasonable, but it declined to preliminarily approve the Settlement on several grounds, including the fairness of the methodology for allocating payments among members of the business class, the nature of the claims appeal process and the timing of the payment of claims that are subject to appeal, and the fairness of setting of fixed payments for the medical claims class. The American Water Defendants intend to work with the Plaintiffs to propose acceptable alternative provisions to the Settlement Agreement to satisfy the concerns of the court in the Federal action. If and when preliminary approval of the Settlement is obtained, notice of the terms of the Settlement would then be provided to members of the settlement class. Following the notice period, the court in the Federal action would hold a fairness hearing to consider final approval of the Settlement.

Other Related Proceedings

On April 4, 2017, the CSB indicated that the implementation by the Company of source water protection activities resolved the first two parts of the CSB's recommendation. The CSB also noted that compliance by the Company with the third part of its recommendation is ongoing and that closure of this part is contingent upon completion of updated contingency planning for the Company's water utilities outside of West Virginia. In light of public response to its original September 2016 investigation report, on May 11, 2017, the CSB issued a new version of this report. The primary substantive change addressed CSB's factual evaluation of the duration and volume of contamination from the leaking tank, decreasing its estimate of the leak time but increasing the volume estimate by 10%. No substantive changes were made to the conclusions and recommendations in the original report.

On June 15, 2017, the PSC entered an order accepting the joint stipulation that had been filed by the parties in January 2017 as a reasonable basis for resolving the General Investigation and removing the proceeding from the docket. The PSC's order did not require WVAWC to take any further action with respect to the matters covered by the General Investigation. The PSC order concludes the General Investigation.

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the "public nuisance" it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a complaint in Lincoln County state court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public nuisance in Lincoln County. The complaint seeks an injunction against WVAWC that would require the creation of various databases and public repositories of documents related to this chemical spill, as well as further study and risk assessments regarding the alleged exposure by Lincoln County residents to the released chemicals. On June 12, 2017, the Mass Litigation Panel entered an order granting a motion to transfer this case to its jurisdiction and stayed the case consistent with the existing stay order. WVAWC believes that this lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of WVAWC's West Relay pumping station located in the City of Dunbar. The failure of the main caused water outages and low pressure to up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was completed safely on June 30, 2015. Water service was fully restored on July 1, 2015 to all customers affected by this event.

On June 2, 2017, a class action complaint was filed in West Virginia Circuit Court in Kanawha County against WVAWC on behalf of a purported class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The plaintiff seeks unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC intends to vigorously defend itself against these allegations. While WVAWC and the Company are unable to predict the outcome of this matter, an adverse outcome could have a material adverse effect on the Company's financial condition, results of operations, cash flows, liquidity and/or reputation.

Contract Operations Group -- East Palo Alto Water System Voluntary Report

On April 10, 2017, American Water Enterprises, Inc. ("AWE"), a wholly owned subsidiary of the Company and the parent entity of the Company's Contract Operations Group, voluntarily reported to the Division of Drinking Water of the SWRCB potential violations of the California Safe Drinking Water Act (the "CSDWA") in connection with AWE's operation of the City of East Palo Alto's water distribution system. Upon the resignation of the system's general manager in March 2017, AWE discovered that it may have operated the system without a properly certified operator for two years, the triennial Lead and Copper Rule sampling was not completed, and the 2015 Consumer Confidence Report improperly reported data for lead and copper samples from the system's upstream water provider. Promptly after discovering these issues, AWE engaged an outside law firm to conduct an internal investigation and has reported the results of that investigation to the SWRCB.

On June 15, 2017, the SWRCB issued to AWE a citation that requires AWE to, among other things: comply with regulations related to water operator certifications, lead and copper tap sampling requirements and the publishing of a Consumer Confidence Report; provide public notification of the Lead and Copper Rule violation; and prepare a corrective action plan to evaluate the causes leading to these incidents and measures to be taken to prevent reoccurrence of future incidents. The citation does not impose on AWE any monetary penalties, but the SWRCB reserved the right to take additional enforcement action. Proven violations of the CSDWA may result in civil and criminal penalties. On July 21, 2017, AWE submitted its corrective action plan to the SWRCB. AWE is cooperating fully with the SWRCB, the City of East Palo Alto and other authorities to resolve these issues.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in our Form 10-K, and in our other public filings, which could materially affect our business, financial condition or future results. There have been no material changes from risk factors previously disclosed in Part I, Item 1A—Risk Factors in our Form 10-K.

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

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during three months ended June 30, 2017. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through June 30, 2017, the Company repurchased an aggregate of 3,950,000 shares of common stock under the program, leaving an aggregate of 6,050,000 shares available for repurchase under this program.

On April 3, 2017, the Company issued 438,211 shares of its common stock as consideration for the acquisition of all of the issued and outstanding shares of Shorelands in a transaction not involving a public offering of securities. The transaction was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof. The shares of Company common stock were issued to or for the benefit of 10 individuals who were the owners of the common stock of Shorelands.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

On July 21, 2017, the Board of Directors (the "Board") appointed director Veronica M. Hagen to serve as a member of the Audit Committee of the Board. On July 27, 2017, the Board of Directors designated director Martha Clark Goss to serve as Chair of the Audit Committee and director Karl F. Kurz to serve as Chair of the Finance and Risk Committee of the Board. Aa a result, the members of the Audit Committee are Ms. Goss (Chair), Ms. Hagen and Mr. Kurz, and the members of the Finance and Risk Committee are Mr. Kurz (Chair), Ms. Goss and director Paul J. Evanson.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
*10.1	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan.
10.2	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.3	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (for certain executives) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.4	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.5	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.6	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.7	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.8	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Director Stock Unit Agreement (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
*31.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
*101	The following financial statements from American Water Works Company, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017, filed with the Securities and Exchange Commission on August 2, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Stockholders' Equity; and (vi) the Notes to Consolidated Financial Statements.

* Filed herewith.
** Furnished herewith.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 2nd day of August, 2017.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
*10.1	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan.
10.2	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
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* Filed herewith.

** Furnished herewith.

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Section 2: EX-10.1 (EX-10.1)

Exhibit 10.1

American Water Works Company, Inc.
2017 Omnibus Equity Compensation Plan

1. *Purpose*

The purpose of the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") is to provide (i) designated employees of American Water Works Company, Inc. (the "Company") and its subsidiaries and (ii) non-employee members of the board of directors of the Company (the "Board") with the opportunity to receive grants of stock options, stock units, stock awards, stock appreciation rights and other stock-based awards. The Company believes that the Plan will encourage Participants (as defined herein) to contribute materially to the financial and operational success, and growth, of the Company, and will align the economic interests of Participants with those of its stockholders and customers.

2. *Definitions*

Whenever used in this Plan, the following terms will have the respective meanings set forth below:

(a) "*Board*" means the Company's Board of Directors.

(b) "*Cause*" means, except as otherwise provided in a Grant Agreement, that the Participant (i) has breached any employment, service, non-competition, non-solicitation or other agreement or contract with the Employer, if any, and, if such breach can be cured by the Participant, the breach remains uncured after the Participant receives notice of such breach and is afforded a period of not less than 30 days to remedy the breach; (ii) has persistently refused or willfully failed to perform substantially his or her duties and responsibilities to the Employer, which continues after the Participant receives notice of such refusal or failure and is afforded a period of not less than 30 days to remedy the refusal or failure; (iii) has engaged in conduct that constitutes disloyalty to the Employer or that materially damages the property, business or reputation of the Employer; (iv) has engaged in fraud, embezzlement, theft, material misappropriation with respect the business or assets of the Employer, or the proven commission of a felony; (v) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; or (vi) has engaged in such other behavior that is significantly detrimental to the interests of the Employer, as determined by the Committee or the Board.

(c) "*Change of Control*" shall be deemed to have occurred if:

(i) Any "person" (as such term is used in sections 13(d) and 14(d) of the Exchange Act) becomes (x) during the 12-month period ending on the date of any acquisition of securities, a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 35% of the voting power of the then outstanding securities of the Company, or (y) a "beneficial owner," as defined in clause (x) above, of more than 50% of the voting power of the then outstanding securities of the Company;

(ii) The consummation of (A) a merger or consolidation of the Company with another corporation where the stockholders of the Company, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation,

shares entitling such stockholders to more than 50% of all votes to which all stockholders of the surviving corporation would be entitled in the election of directors, or (B) a sale or other disposition of all or substantially all of the assets of the Company; or

(iii) During any period of 12 consecutive months commencing on or after the Effective Date while the Plan is in effect, directors are elected such that a majority of the members of the Board are individuals who shall not have been members of the Board at the beginning of such 12-month period, except (x) in the case of a director's death or (y) the election or nomination for election of each new director who was not a director at the beginning of such 12-month period where such election was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period.

Notwithstanding the foregoing, the Committee may provide for a different definition of a "Change of Control" in a Grant Agreement if such Grant is subject to the requirements of section 409A of the Code and the Grant will become payable on, or in connection with, a Change of Control.

(d) *"Code"* means the Internal Revenue Code of 1986, as amended.

(e) *"Company"* means American Water Works Company, Inc. and any successor corporation.

(f) *"Company Stock"* means the common stock of the Company, par value $0.01 per share.

(g) *"Dividend Equivalent"* means an amount calculated with respect to a Stock Unit, which is determined by multiplying the number of shares of Company Stock subject to the Stock Unit by the per-share cash dividend, or the per-share fair market value (as determined by the Committee) of any dividend in consideration other than cash, paid by the Company on its Company Stock. If interest is credited on accumulated dividend equivalents, the term "Dividend Equivalent" shall include the accrued interest.

(h) *"Effective Date"* of the Plan shall mean May 12, 2017, the effective date of the Plan.

(i) *"Employee"* means an employee of the Employer (including an officer or director who is also an employee), but excluding any person who is classified by the Employer as a "contractor" or "consultant," no matter how characterized by the Internal Revenue Service, other governmental agency or a court. Any change of characterization of an individual by the Internal Revenue Service or any court or government agency shall have no effect upon the classification of an individual as an Employee for purposes of this Plan, unless the Committee determines otherwise.

(j) *"Employer"* means the Company and its subsidiaries.

(k) *"Exchange Act"* means the Securities Exchange Act of 1934, as amended.

(l) *"Exercise Price"* means the per share price at which shares of Company Stock may be purchased under an Option, as designated by the Committee.

(m) *"Fair Market Value"* of Company Stock means, unless the Committee determines otherwise with respect to a particular Grant, (i) if the principal trading market for the Company Stock is a national securities exchange, the last reported sale price of Company Stock on the relevant date or (if there were no trades on that date) the latest preceding date upon which a sale

was reported, (ii) if the Company Stock is not principally traded on a national securities exchange, the mean between the last reported "bid" and "asked" prices of Company Stock on the relevant date, as reported on the OTC Bulletin Board, or (iii) if the Company Stock is not publicly traded or, if publicly traded, is not so reported, the Fair Market Value per share shall be as determined by the Committee.

(n) "*Good Reason*" means in connection with a Grant, without the express written consent of the Participant, the occurrence after a Change of Control of any circumstances constituting "Good Reason" that are provided for in the Grant Agreement, or, if no such circumstances are so provided, any of the following circumstances, provided that (a) the Participant provides written notification of such circumstances to the Company (or, if applicable, a Subsidiary) no later than ninety (90) days from the original occurrence of such circumstances, (b) the Company (or the Subsidiary) fails to fully correct such circumstances within thirty (30) days of receipt of such notification, and (c) the Participant terminates his or her employment with the Company within twelve (12) months after the original occurrence of such circumstances:

(i) a material diminution in the authority, duties or responsibilities of the Participant from those in effect immediately prior to the Change of Control;

(ii) a material reduction in the Participant's base compensation as in effect immediately before the Change of Control;

(iii) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Participant is required to report, from those in effect immediately prior to the Change of Control;

(iv) a material diminution in the budget over which the Participant retains authority from that in effect immediately prior to the Change in Control; or

(v) the Company's (or, if applicable, Subsidiary's) requiring the Participant to be based in any office or location more than 50 miles from that location at which he or she performed his or her services immediately prior to the Change of Control, except for travel reasonably required in the performance of the Participant's responsibilities.

(o) "*Grant*" means an Option, Stock Unit, Stock Award, SAR or Other Stock-Based Award granted under the Plan.

(p) "*Grant Agreement*" means the written instrument that sets forth the terms and conditions of a Grant, including all amendments thereto.

(q) "*Incentive Stock Option*" means an Option that is intended to meet the requirements of an incentive stock option under section 422 of the Code.

(r) "*Non-Employee Director*" means a member of the Board who is not an Employee.

(s) "*Nonqualified Stock Option*" means an Option that is not intended to be taxed as an incentive stock option under section 422 of the Code.

(t) "*1933 Act*" means the Securities Act of 1933, as amended.

(u) "*Option*" means an option to purchase shares of Company Stock, as described in Section 7.

(v) *"Other Stock-Based Award"* means a Grant that is based on, measured by or payable in Company Stock (other than an Option, Stock Unit, Stock Award or SAR), as described in Section 11.

(w) *"Participant"* means an Employee or Non-Employee Director designated by the Committee to participate in the Plan.

(x) *"Plan"* means this American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan, as it may be amended from time to time.

(y) *"Prior Plan"* means the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended and restated.

(z) *"SAR"* means a stock appreciation right as described in Section 10.

(aa) *"Stock Award"* means a Grant of Company Stock as described in Section 9.

(bb) *"Stock Unit"* means a Grant of a phantom unit representing a share of Company Stock, as described in Section 8.

3. *Administration*

(a) *Committee*. The Plan shall be administered and interpreted by a committee consisting of members of the Board, which shall be appointed by the Board (the "Committee"). The Committee shall consist of two or more persons who are "outside directors" as defined under section 162(m) of the Code, and related Treasury regulations, "non-employee directors" as defined under Rule 16b-3 under the Exchange Act, and "independent directors" as determined in accordance with the independence standards established by the stock exchange on which the Common Stock is at the time primarily traded. However, except with respect to Grants described in Section 12 hereof, the Board may ratify or approve any Grants as it deems appropriate, and the Board shall approve and administer all Grants made to Non-Employee Directors. The Committee may delegate authority to one or more subcommittees or the Chief Executive Officer of the Company, as it deems appropriate; provided, however, that any delegation to the Chief Executive Officer (i) shall only apply to Participants who are not subject to Section 16 of the Exchange Act and who are not "covered employees" within the meaning of section 162(m) of the Code; (ii) must include a limitation as to the amount of Grants that may be awarded during the period of the delegation, (iii) may contain guidelines not inconsistent with the Plan as to the determination of the Exercise Price for an Option or the price of other Grants, and any criteria for vesting or exercisability of such Grants; (iv) may be revoked or amended at any time but such action shall not invalidate any prior actions of the Committee's delegation that were consistent with the terms of the Plan and of such delegation prior to amendment or revocation; and (v) shall be subject to such other terms and conditions as prescribed by the Committee. To the extent the Board, a subcommittee or the Chief Executive Officer performs these administration duties under the Plan, references in the Plan to the "Committee" shall be deemed to refer to the Board, such subcommittee or the Chief Executive Officer.

(b) *Committee Authority*. The Committee shall have the sole authority to (i) determine the Participants to whom Grants shall be made under the Plan, (ii) determine the type, size and terms and conditions of the Grants to be made to each such Participant, (iii) determine the time when the Grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability or vesting and the acceleration of exercisability or vesting, (iv) amend the terms and conditions of any previously issued Grant, subject to the provisions of Section 18 below, and (v) deal with any other matters arising under the Plan.

(c) *Committee Determinations*. Subject to Section 3(d), the Committee shall have full power and express discretionary authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Committee's interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in Grants hereunder. All powers of the Committee shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated Participants.

(d) *Delegation of Administration*. The Committee may delegate certain administrative or ministerial matters under the Plan to one or more officer or officers of the Company (or their designees) as determined in the Committee's discretion, and such persons may have the authority to (i) prepare, distribute and, if required, execute Grant Agreements in accordance with the Committee's determinations, (ii) maintain or cause to be maintained (including through a third party administrator) records relating to the granting, vesting, exercise, forfeiture or expiration of Grants, (iii) process or oversee the issuance of, or cause to be issued, shares or cash upon the exercise, vesting and/or settlement of a Grant, and (iv) take such other administrative or ministerial actions (other than with respect to the making, modification or termination of, any Grant), or cause such actions to be taken, as the Committee may authorize. Any delegation by the Committee pursuant to this subsection shall be subject to and limited by applicable law or regulation, including without limitation the rules and regulations of the Exchange Act, the Code and the securities exchange on which the Common Stock is then listed.

4. *Grants*

(a) Grants under the Plan may consist of Options as described in Section 7, Stock Units as described in Section 8, Stock Awards as described in Section 9, SARs as described in Section 10 and Other Stock-Based Awards as described in Section 11. All Grants shall be subject to such terms and conditions as the Committee deems appropriate and as are specified in writing by the Committee to the Participant in the Grant Agreement.

(b) All Grants shall be made conditional upon the Participant's acknowledgement, in writing or by acceptance of the Grant, that all decisions and determinations of the Committee shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under such Grant. Grants under a particular Section of the Plan need not be uniform as among the Participants.

5. *Shares Subject to the Plan*

(a) *Shares Authorized*. Subject to adjustment as described in Section 5(d), the total aggregate number of shares of Company Stock that may be issued or transferred under the Plan is (i) 7,350,000 shares, minus (ii) the number of shares of Company Stock subject to grants of awards made under the Prior Plan after December 30, 2016.

(b) *Source of Shares; Share Counting*. Shares issued under the Plan may be authorized but unissued shares of Company Stock or reacquired shares of Company Stock, including shares purchased by the Company on the open market for purposes of the Plan. If and to the extent

Options or SARs granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised, and if and to the extent that any Stock Awards, Stock Units, or Other Stock-Based Awards are forfeited or terminated, or otherwise are not paid in full, the shares reserved for such Grants shall again be available for purposes of the Plan. Shares of Stock surrendered in payment of the Exercise Price of an Option, and shares withheld or surrendered for payment of taxes, shall not be available for re-issuance under the Plan. If SARs are granted, the full number of shares subject to the SARs shall be considered issued under the Plan, without regard to the number of shares issued upon exercise of the SARs and without regard to any cash settlement of the SARs. To the extent that a Grant of Stock Units is designated in the Grant Agreement to be paid in cash, and not in shares of Company Stock, such Grants shall not count against the share limits in Section 5(a).

(c) *Individual Limits.* All Grants under the Plan shall be expressed in shares of Company Stock. The maximum aggregate number of shares of Company Stock with respect to which all Grants may be made under the Plan during any calendar year to any Employee and Non-Employee Director shall be 300,000 and 150,000 shares, respectively, each subject to adjustment as described in Section 5(d). The maximum aggregate number of shares of Company Stock with respect to which all Grants described in Section 12 of the Plan may be made during any calendar year to any Participant who is a "covered employee" within the meaning of section 162(m) of the Code shall be 300,000 shares, subject to adjustment as described in Section 5(d). The individual limits of this Section 5(c) shall apply without regard to whether the Grants are to be paid in Company Stock or cash. All cash payments (other than with respect to Dividend Equivalents) shall equal the Fair Market Value of the shares of Company Stock to which the cash payments relate. A Participant may not accrue Dividend Equivalents during any calendar year in excess of $1,500,000.

(d) *Adjustments*. If there is any change in the number or kind of shares of Company Stock outstanding (i) by reason of a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares, (ii) by reason of a merger, reorganization or consolidation, (iii) by reason of a reclassification or change in par value, or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Company Stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of Company Stock is substantially reduced as a result of a spinoff or the Company's payment of an extraordinary dividend or distribution, the maximum number of shares of Company Stock available for issuance under the Plan, the maximum number of shares of Company Stock for which any Employee, Non-Employee Director or "covered employee" within the meaning of section 162(m) of the Code may receive Grants in any year, the kind and number of shares covered by outstanding Grants, the kind and number of shares issued and to be issued under the Plan, and the price per share or the applicable market value of such Grants shall be equitably adjusted by the Committee, in such manner as the Committee deems appropriate, to reflect any increase or decrease in the number of, or change in the kind or value of, the issued shares of Company Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the Plan and such outstanding Grants; *provided, however*, that any fractional shares resulting from such adjustment shall be eliminated. In addition, in the event of a Change of Control of the Company, the provisions of section 16 of the Plan shall apply. Any adjustments to outstanding Grants shall be consistent with section 409A or 422 of the Code, to the extent applicable. Any adjustments determined by the Committee shall be final, binding and conclusive.

6. *Eligibility for Participation*

(a) *Eligible Persons*. All Employees and Non-Employee Directors shall be eligible to participate in the Plan.

(b) *Selection of Participants*. The Committee shall select the Employees and Non-Employee Directors to receive Grants and shall determine the number of shares of Company Stock subject to each Grant.

7. *Options*

(a) *General Requirements*. The Committee may grant Options to an Employee or a Non-Employee Director upon such terms and conditions as the Committee deems appropriate under this Section 7. The Committee shall determine the number of shares of Company Stock that will be subject to each Grant of Options to Employees and Non-Employee Directors. Dividend Equivalents shall not be granted with respect to an Option.

(b) *Type of Option, Price and Term*.

(i) The Committee may grant Incentive Stock Options or Nonqualified Stock Options or any combination of the two, all in accordance with the terms and conditions set forth herein. Incentive Stock Options may be granted only to Employees of the Company or its parents or subsidiaries, as defined in section 424 of the Code. Nonqualified Stock Options may be granted to Employees or Non-Employee Directors.

(ii) The Exercise Price of Company Stock subject to an Option shall be determined by the Committee and shall be equal to or greater than the Fair Market Value of a share of Company Stock on the date the Option is granted. However, an Incentive Stock Option may not be granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, as defined in section 424 of the Code, unless the Exercise Price per share is not less than 110% of the Fair Market Value of the Company Stock on the date of grant.

(iii) The Committee shall determine the term of each Option, which shall not exceed ten years from the date of grant. However, an Incentive Stock Option that is granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, as defined in section 424 of the Code, may not have a term that exceeds five years from the date of grant.

(c) *Vesting and Exercisability of Options.*

(i) Options shall become vested and exercisable in accordance with such terms and conditions as may be determined by the Committee and specified in the Grant Agreement. The Committee may grant Options that are subject to achievement of performance goals or other conditions. The Committee may accelerate the vesting and exercisability of any or all outstanding Options at any time for any reason.

(ii) Options granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such Options may become exercisable, as determined by the Committee, upon the Participant’s death, disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

(d) *Termination of Employment or Service*. Except as provided in the Grant Agreement, an Option may only be exercised while the Participant is employed as an Employee or providing service as a Non-Employee Director. The Committee shall determine in the Grant Agreement under what circumstances and during what time periods a Participant may exercise an Option after termination of employment or service.

(e) *Exercise of Options*. A Participant may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company. The Participant shall pay the Exercise Price for the Option (i) in cash or by check, (ii) if permitted by the Committee, by delivering shares of Company Stock owned by the Participant and having a Fair Market Value on the date of exercise equal to the Exercise Price or by attestation to ownership of shares of Company Stock having an aggregate Fair Market Value on the date of exercise equal to the Exercise Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, (iv) if permitted by the Grant Agreement, by net share settlement of the Option based on the Fair Market Value on the date of exercise, (v) any combination of clauses (i), (ii), (iii) or (iv) above, or (vi) by such other method as the Committee may approve, to the extent permitted by applicable law. Shares of Company Stock delivered to exercise an Option pursuant to clause (ii) above shall have been held by the Participant for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the Option. Payment for the shares pursuant to the Option, and any required withholding taxes, must be received by the time specified by the Committee depending on the type of payment being made, but in all cases prior to the issuance of the Company Stock.

(f) *Limits on Incentive Stock Options*. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the stock on the date of grant with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year, under the Plan or any other stock option plan of the Company or a parent or subsidiary, as defined in section 424 of the Code, exceeds $100,000, then the Option, as to the excess, shall be treated as a Nonqualified Stock Option. An Incentive Stock Option shall not be granted to any person who is not an Employee of the Company or a parent or subsidiary, as defined in section 424 of the Code. The aggregate number of shares of Company Stock that may be issued under the Plan as Incentive Stock Options is 5,000,000 shares, subject to adjustment as described in Section 5(d), and all shares issued under the Plan as Incentive Stock Options shall count against the plan limit under Section 5(a).

8. *Stock Units*

(a) *General Requirements*. The Committee may grant Stock Units to an Employee or a Non-Employee Director, upon such terms and conditions as the Committee deems appropriate under this Section 8. Each Stock Unit shall represent the right of the Participant to receive a share of Company Stock or an amount based on the value of a share of Company Stock. All Stock Units shall be credited to bookkeeping accounts on the Company's records for purposes of the Plan.

(b) *Terms of Stock Units*. The Committee may grant Stock Units that are payable on terms and conditions determined by the Committee, which may include payment based on achievement of performance goals. Stock Units may be paid at the end of a specified vesting or performance period, or payment may be deferred to a date authorized by the Committee. The Committee shall determine the number of Stock Units to be granted and the requirements applicable to such Stock Units. The Committee may accelerate the vesting of any or all outstanding Stock Units at any time for any reason.

(c) *Payment With Respect to Stock Units*. Payment with respect to Stock Units shall be made in cash, in Company Stock, or in a combination of the two, as determined by the Committee. The Grant Agreement shall specify the maximum number of shares that can be issued under the Stock Units.

(d) *Requirement of Employment or Service*. The Committee shall determine in the Grant Agreement under what circumstances a Participant may retain Stock Units after termination of the Participant's employment or service, and the circumstances under which Stock Units may be forfeited.

(e) *Dividend Equivalents*. The Committee may grant Dividend Equivalents in connection with Stock Units, under such terms and conditions consistent with this Section 8(e) as the Committee deems appropriate. Dividend Equivalents may be deferred, but no Dividend Equivalent may be payable to a Participant unless, and only to the extent, a Grant of Stock Units vests, and, with respect to a Grant of Stock Units that vests based on the achievement of performance goals, the performance goals are achieved (at least at the minimum threshold for performance). All Dividend Equivalents that are not paid currently shall be credited to bookkeeping accounts on the Company's records for purposes of the Plan. Dividend Equivalents may be accrued as a cash obligation, or may be converted to additional Stock Units for the Participant, and deferred Dividend Equivalents may accrue interest, all as determined by the Committee. The Committee may provide that Dividend Equivalents shall be payable based on the achievement of specific performance goals. Dividend Equivalents may be payable in cash or shares of Company Stock or in a combination of the two, as determined by the Committee. Each Dividend Equivalent with respect to a Grant of Stock Units based on performance goals will be forfeited at such time as, and to the extent that, the Committee has determined that the performance goals with respect to such Grant have not been achieved or exceeded, at least at the minimum level of performance, or, if granted in connection with a Stock Unit that vests solely based on the lapse of time, on the date the Stock Unit (or portion thereof) is forfeited as provided by the Committee.

9. *Stock Awards*

(a) *General Requirements*. The Committee may issue shares of Company Stock to an Employee or a Non-Employee Director under a Stock Award, upon such terms and conditions as the Committee deems appropriate under this Section 9. Shares of Company Stock issued pursuant to Stock Awards may be issued for cash consideration or for no cash consideration, and subject to restrictions or no restrictions, as determined by the Committee. The Committee may establish conditions under which restrictions on Stock Awards shall lapse over a period of time or according to such other criteria as the Committee deems appropriate, including restrictions based upon the achievement of specific performance goals. The Committee shall determine the number of shares of Company Stock to be issued pursuant to a Stock Award. The Committee may accelerate the vesting of any or all outstanding Stock Awards at any time for any reason.

(b) *Requirement of Employment or Service*. The Committee shall determine in the Grant Agreement under what circumstances a Participant may retain Stock Awards after termination of the Participant's employment or service, and the circumstances under which Stock Awards may be forfeited.

(c) *Restrictions on Transfer*. While Stock Awards are subject to restrictions, a Participant may not sell, assign, transfer, pledge or otherwise dispose of the shares of a Stock Award except upon death as described in Section 15(a). If certificates are issued, each certificate for a share of a Stock Award shall contain a legend giving appropriate notice of the restrictions in the Grant. The Participant shall be entitled to have the legend removed when all restrictions on such shares have lapsed. The Company may retain possession of any certificates for Stock Awards until all restrictions on such shares have lapsed.

(d) *Right to Vote and to Receive Dividends*. The Committee shall determine, consistent with this Section 9(d), to what extent, and under what conditions, the Participant shall have the right to vote shares of Stock Awards and to receive any dividends or other distributions paid on such shares during the restriction period. Dividends may be deferred, but dividends payable to a Participant must be withheld while a Stock Award is subject to restrictions and such dividends may be payable only upon the lapse of the restrictions on the Stock Awards. With respect to a Stock Award that vests based on the achievement of performance goals, no dividends may be payable unless, and only to the extent, the performance goals are achieved (at least at the minimum threshold for performance). Dividends that are not paid currently shall be credited to bookkeeping accounts on the Company's records for purposes of the Plan. Accumulated dividends may accrue interest, as determined by the Committee, and shall be paid in cash, shares of Company Stock, or in such other form as dividends are paid on Company Stock, as determined by the Committee. Dividends with respect to a Grant of Stock Awards based on performance goals will be forfeited at such time as, and to the extent that, the Committee has determined that the performance goals with respect to such Grant have not been achieved or exceeded, at least at the minimum level of performance, or, if granted in connection with a Stock Award that vests solely based on the lapse of time, on the date the Stock Award (or portion thereof) is forfeited as provided by the Committee.

10. *Stock Appreciation Rights*

(a) *General Requirements*. The Committee may grant SARs to an Employee or a Non-Employee Director separately or in tandem with an Option. The Committee shall establish the number of shares, the terms and the base amount of the SAR at the time the SAR is granted. The base amount of each SAR shall be not less than the Fair Market Value of a share of Company Stock as of the date of grant of the SAR. The Committee shall determine the term of each SAR, which shall not exceed ten years from the date of grant. Dividend Equivalents shall not be granted with respect to a SAR.

(b) *Tandem SARs*. The Committee may grant tandem SARs at the time the Option is granted. In the case of tandem SARs, the number of SARs granted to a Participant that shall be exercisable during a specified period shall not exceed the number of shares of Company Stock that the Participant may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Company Stock covered by such Option shall terminate. Upon the exercise of SARs, the related Option shall terminate to the extent of an equal number of shares of Company Stock.

(c) *Exercisability*. A SAR shall become exercisable in accordance with such terms and conditions as may be specified. The Committee may grant SARs that are subject to achievement of performance goals or other conditions. The Committee may accelerate the exercisability of any or all outstanding SARs at any time for any reason. The Committee shall determine in the Grant Agreement under what circumstances and during what periods a Participant may exercise a SAR after termination of employment or service. A tandem SAR shall be exercisable only while the Option to which it is related is exercisable.

(d) *Grants to Non-Exempt Employees*. SARs granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such SARs may become exercisable, as determined by the Committee, upon the Participant's death, Disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

(e) *Exercise of SARs*. When a Participant exercises SARs, the Participant shall receive in settlement of such SARs an amount equal to the value of the stock appreciation for the number of SARs exercised. The stock appreciation for a SAR is the amount by which the Fair Market Value of the underlying Company Stock on the date of exercise of the SAR exceeds the base amount of the SAR as specified in the Grant Agreement.

(f) *Form of Payment*. The Committee shall determine whether the stock appreciation for a SAR shall be paid in the form of shares of Company Stock, cash or a combination of the two. For purposes of calculating the number of shares of Company Stock to be received, shares of Company Stock shall be valued at their Fair Market Value on the date of exercise of the SAR. If shares of Company Stock are to be received upon exercise of a SAR, cash shall be delivered in lieu of any fractional share.

11. *Other Stock-Based Awards*

The Committee may make other Grants not specified in Sections 7, 8, 9 or 10 above that are based on or measured by Company Stock to Employees and Non-Employee Directors, on such terms and conditions as the Committee deems appropriate. Other Stock-Based Awards may be granted subject to achievement of performance goals or other conditions and may be payable in Company Stock or cash, or in a combination of the two, as determined by the Committee in the Grant Agreement.

12. *Qualified Performance-Based Compensation*

(a) *Designation as Qualified Performance-Based Compensation*. The Committee may determine that Stock Units, Stock Awards, Dividend Equivalents or Other Stock-Based Awards granted to an Employee shall be considered "qualified performance-based compensation" under section 162(m) of the Code, in which case the provisions of this Section 12 shall apply.

(b) *Performance Goals*. When Grants are made under this Section 12, the Committee shall establish in writing (i) the objective performance goals that must be met, (ii) the period during which performance will be measured, (iii) the maximum amounts that may be paid if the performance goals are met, and (iv) any other conditions that the Committee deems appropriate and consistent with the requirements of section 162(m) of the Code for "qualified performance-based compensation." The performance goals shall satisfy the requirements for "qualified

performance-based compensation," including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the performance goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. The Committee shall not have discretion to increase the amount of compensation that is payable, but may reduce the amount of compensation that is payable, pursuant to Grants identified by the Committee as "qualified performance-based compensation."

(c) *Criteria Used for Objective Performance Goals.* The Committee shall use objectively determinable performance goals based on one or more of the following criteria: (i) stock price; (ii) net income or earnings per share of Company Stock; (iii) price-earnings multiples; (iv) gross, operating or net earnings before or after income taxes; (v) book value of any asset or security; (vi) revenue; (vii) number of days sales outstanding of accounts receivable; (viii) productivity; (ix) gross income, profitability or gross margin; (x) EBITDA (earnings before interest, taxes, depreciation and amortization); (xi) net capital employed; (xii) return on equity, cash flow, investment or assets; (xiii) internal rate of return; (xiv) cash flow return on investment; (xv) improvements in capital structure; (xvi) stockholder return, including absolute or relative total stockholder return, expressed either on a dollar or percentage basis; (xvii) retention of customers, expressed on a dollar or percentage basis; (xviii) return on capital employed; (xix) increase in the Company's or a subsidiary's customer satisfaction or responsiveness ratings (based on the results of surveys conducted by an independent third party) and reputation within one or more service territories; (xx) cash flow per share; (xxi) economic value added (defined to mean net operating profit minus the cost of capital); (xxii) market value added (defined to mean the difference between the market value of debt and equity, and economic book value); (xxiii) growth in assets, unit volume, sales, cash flow or market share; (xxiv) relative performance (as measured by one or more of the performance goals set forth in this Section 12(c)) to a comparison group of companies designated by the Committee; (xxv) level of expenses, including without limitation capital expenditures or operation and maintenance expenses (expressed on a dollar or percentage basis); (xxvi) combined ratio; (xxvii) payback period on investment; (xxviii) net present value of investment; (xxix) metrics regarding execution on business or operating initiatives, such as through the development or implementation of new technologies or other customer benefits; (xxx) safety (including, for example, criteria relating to numbers or ratios of reported injuries, preventable accidents and vehicular accidents); (xxxi) compliance with environmental laws, rules and regulations; (xxxii) compliance with financial and regulatory controls; (xxxiii) bad debt collections, expenses or losses; (xxxiv) budget achievement; (xxxv) risk management; and (xxxvi) strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures. The performance goals may be based on one or more business criteria that relate to, individually or in any combination (a) a specified goal, (b) historical performance of the Company or a product, service or business line or segment, (c) one or more business units or the performance of the Company and its subsidiaries as a whole, (d) the performance of any other corporation or entity or group of corporations or entities or a product, service or business line or segment, unit, division or subsidiary thereof, or (e) an individual or groups of individuals. Performance goals need not be uniform as among Participants.

(d) *Timing of Establishment of Goals*. The Committee shall establish the performance goals in writing either before the beginning of the performance period or during a period ending no later than the earlier of (i) 90 days after the beginning of the performance period or (ii) the date on which 25% of the performance period has been completed, or such other date as may be required or permitted under applicable regulations under section 162(m) of the Code.

(e) *Certification of Results*. The Committee shall certify the performance results for the performance period specified in the Grant Agreement after the performance period ends. The Committee shall determine the amount, if any, to be paid pursuant to each Grant based on the achievement of the performance goals and the satisfaction of all other terms of the Grant Agreement.

(f) *Death, Disability or Other Circumstances*. The Committee may provide in the Grant Agreement that Grants under this Section 12 shall be payable, in whole or in part, in the event of the Participant's death or disability, a Change of Control or under other circumstances consistent with the Treasury regulations and rulings under section 162(m) of the Code.

(g) *Certain Events*. To the extent permitted by section 162(m) of the Code, if applicable, in setting performance goals within the period prescribed in Section 12(d), the Committee may at such time also provide that the achievement of such performance goals will be determined without regard to the either the negative or positive effect (or both) of certain events, including for one or more of the following items: (i) asset write-downs; (ii) litigation or claim judgments, or settlements thereof; (iii) changes in accounting principles; (iv) changes in tax law or other laws affecting reported results; (v) changes in commodity or supply prices; (vi) severance, contract termination and other costs related to exiting, modifying or reducing any business activities; (vii) costs of, and gains and losses from, the acquisition, disposition or abandonment of businesses or assets; (viii) gains and losses from the early extinguishment of debt; (ix) gains and losses in connection with the termination of or withdrawal from a pension plan; (x) stock compensation costs and other non-cash expenses; or (xi) any other specified non-operating items as determined by the Committee in setting performance goals.

13. *Deferrals*

The Committee may permit or require a Participant to defer receipt of the payment of cash or the delivery of shares that would otherwise be due to the Participant in connection with any Grant. The Committee shall establish rules and procedures for any such deferrals, consistent with applicable requirements of section 409A of the Code.

14. *Withholding of Taxes*

(a) *Required Withholding*. All Grants under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements. The Company may require that the Participant or other person receiving or exercising Grants pay to the Company the amount of any federal, state or local taxes that the Company is required to withhold with respect to such Grants, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such Grants.

(b) *Election to Withhold Shares*. If the Committee so permits, shares of Company Stock may be withheld to satisfy the Company's tax withholding obligation with respect to Grants paid in Company Stock, at the time such Grants become taxable, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state and local tax liabilities or such greater withholding rate as may be permitted by U.S. generally accepted accounting principles as applied to the Company.

15. *Transferability of Grants*

(a) *Restrictions on Transfer*. Except as described in Section 14 or Section 15(b) or as otherwise provided by applicable law, only the Participant may exercise rights under a Grant during the Participant's lifetime, and no benefit provided under this Plan shall be subject to alienation or assignment by a Participant (or by any Person entitled to such benefit pursuant to the terms of this Plan), nor shall it be subject to attachment or other legal process except by will or by the laws of descent and distribution. When a Participant dies, the personal representative or other person entitled to succeed to the rights of the Participant may exercise such rights. Any such successor must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Participant's will or under the applicable laws of descent and distribution.

(b) *Transfer of Nonqualified Stock Options to or for Family Members*. Notwithstanding the foregoing, the Committee may provide, in a Grant Agreement, that a Participant may transfer Nonqualified Stock Options to one or more immediate family members, or one or more trusts or other entities for the benefit of or owned by immediate family members, consistent with applicable securities laws, according to such terms as the Committee may determine; *provided, however*, that the Participant receives no consideration for the transfer of a Nonqualified Stock Option and the transferred Nonqualified Stock Option shall continue to be subject to the same terms and conditions as were applicable to the Nonqualified Stock Option immediately before the transfer.

16. *Consequences of a Change of Control*

(a) *Assumption of Grants*. Upon a Change of Control where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")), all outstanding Options and SARs that are not exercised shall be assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and other outstanding Grants shall be converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation). Notwithstanding the immediately preceding sentence, if, in connection with such Change of Control, any outstanding Options and SARs are not assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and any other outstanding Grants are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then upon such Change of Control (i) all such outstanding Options and SARs that are not assumed or replaced shall accelerate and become fully exercisable, (ii) the restrictions and conditions on all such outstanding Stock Awards that are not converted to similar grants shall fully lapse and (iii) all such outstanding Stock Units, Other Stock-Based Awards and Dividend Equivalents that are not converted to similar grants shall be fully vested.

(b) *Acceleration of Exercisability/Vesting*. If a Participant's Grant is assumed as provided in the first sentence of Section 16(a) and if, within the twelve (12) month period following the occurrence of such Change of Control, such Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) on account of (x) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause, death or Disability, or (y) a termination of employment or service by the Participant for Good Reason, then as of the date of such termination of employment or service, then (i) a Grant that is an Option or SAR shall automatically accelerate and become fully exercisable, (ii) a Grant that is a Stock Award shall have all restrictions and conditions immediately lapse and (iii) a Grant that is a Stock Unit, Other Stock-Based Award or Dividend Equivalent shall be fully vested.

(c) *Other Alternatives*. Notwithstanding the foregoing, in the event of a Change of Control, the Committee may take any of the following actions with respect to any or all outstanding Grants: the Committee may (i) determine that outstanding Options and SARs shall accelerate and become fully exercisable, in whole or part; (ii) determine that the restrictions and conditions on outstanding Stock Awards shall lapse, in whole or part; (iii) determine that outstanding Stock Units, Other Stock-Based Awards and Dividend Equivalents shall be fully vested, in whole or part; (iv) require that Participants surrender their outstanding Options and SARs in exchange for a payment by the Company, in cash or Company Stock as determined by the Committee, in an amount equal to the amount by which the then Fair Market Value of the shares of Company Stock subject to the Participant's unexercised Options and SARs exceeds the Exercise Price of the Options or the base amount of the SARs, as applicable; (v) after giving Participants an opportunity to exercise their outstanding Options and SARs, terminate any or all unexercised Options and SARs at such time as the Committee deems appropriate; or (vi) determine that Participants shall receive a payment in settlement of outstanding Stock Awards, Stock Units, Dividend Equivalents or Other Stock-Based Awards, if permitted under section 409A of the Code. Such surrender, termination or payment will take place as of the date of the Change of Control or such other date as the Committee may specify. Without limiting the foregoing, if the per share Fair Market Value of the Company Stock equals or is less than the per share Exercise Price or base amount, as applicable, the Company shall not be required to make any payment to the Participant upon surrender of the Option or SAR.

17. *Requirements for Issuance of Shares*

The Company shall be under no obligation to register under the 1933 Act any of the shares of Company Stock issued, delivered or paid in settlement under the Plan. No Company Stock shall be issued in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance of such Company Stock have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any Grant made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares of Company Stock as the Committee shall deem necessary or advisable, and one or more legends may be placed upon such shares (whether certificated or otherwise) to reflect any such restrictions. Shares of Company Stock issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be required by applicable laws, regulations and interpretations, including any requirement that a legend be placed thereon to reflect the existence of any such orders or restrictions. No Participant shall have any right as a stockholder with respect to Company Stock covered by a Grant until shares have been issued to the Participant in accordance with all of the requirements of this Section.

18. ***Amendment and Termination of the Plan***

(a) *Amendment*. The Board may amend or terminate the Plan at any time; *provided, however*, that the Board shall not amend the Plan without approval of the stockholders of the Company if such approval is required in order to comply with the Code or applicable laws, or to comply with applicable stock exchange requirements. No amendment or termination of this Plan shall, without the consent of the Participant, materially impair any rights or obligations under any Grant previously made to the Participant under the Plan, unless such right has been reserved in the Plan or the Grant Agreement, or except as provided in Section 19(b) below. Notwithstanding anything in the Plan to the contrary, the Board may amend the Plan in such manner as it deems appropriate in the event of a change in applicable law or regulations.

(b) *No Repricing Without Stockholder Approval*. Except in connection with a corporate transaction described above in Section 5(d) involving the Company, neither the Plan nor the terms of any outstanding Grant may be amended to permit, and no Grant or an amendment to any Grant Agreement may have the effect of causing, Options or SARs to be repriced, replaced or regranted through cancellation or by decreasing the Exercise Price of an outstanding Option or SAR without in each case obtaining stockholder approval. This Section 18(b) does not apply to an exercise of an Option or SAR in accordance with Section 7(e) or 10(c) and the terms thereof set forth in a Grant Agreement.

(c) *Stockholder Approval for "Qualified Performance-Based Compensation*." If Grants are made under Section 12 above, the Plan must be reapproved by the Company's stockholders no later than the first stockholders' meeting that occurs in the fifth year following the year in which the stockholders previously approved the provisions of Section 12, if additional Grants are to be made under Section 12 and if required by section 162(m) of the Code or the regulations thereunder.

(d) *Termination of Plan*. The Plan shall terminate on the day immediately preceding the tenth anniversary of its Effective Date, unless the Plan is terminated earlier by the Board or an amendment to the Plan to extend such termination date is recommended and approved by the Board, and approved by the stockholders. The termination of the Plan shall not impair the power and authority of the Committee with respect to an outstanding Grant.

19. ***Miscellaneous***

(a) *Effective Date*. The Plan shall be effective as of the Effective Date.

(b) *Grants in Connection with Corporate Transactions and Otherwise*. Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make Grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees, or for other proper corporate purposes, or (ii) subject to applicable law, rules and regulations, limit the right of the Company to grant stock options or make other stock-based awards outside of this Plan. Without limiting the foregoing, the Committee may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company in substitution for a grant made by such corporation. The terms and conditions of the Grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives, as determined by the Committee.

(c) *Compliance with Laws*. The Plan, the exercise of Options and the obligations of the Company to issue or transfer shares of Company Stock under Grants shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons who are officers or Employees subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that Incentive Stock Options comply with the applicable provisions of section 422 of the Code, that Grants of "qualified performance-based compensation" comply with the applicable provisions of section 162(m) of the Code and that, to the extent applicable, Grants comply with the requirements of section 409A of the Code or an exception from such requirements. To the extent that any legal requirement of section 16 of the Exchange Act or section 422, 162(m) or 409A of the Code as set forth in the Plan ceases to be required under section 16 of the Exchange Act or section 422, 162(m) or 409A of the Code, that Plan provision shall cease to apply. The Committee may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to Participants. The Committee may, in its sole discretion, agree to limit its authority under this Section.

(d) *Section 409A.* The Plan is intended to comply with the requirements of section 409A of the Code, to the extent applicable. All Grants shall be construed and administered such that the Grant either (i) qualifies for an exemption from the requirements of section 409A of the Code or (ii) satisfies the requirements of section 409A of the Code. If a Grant is subject to section 409A of the Code, (i) distributions shall only be made in a manner and upon an event permitted under section 409A of the Code, (ii) payments to be made upon a termination of employment shall only be made upon a "separation from service" under section 409A of the Code, (iii) payments to be made upon a Change of Control shall only be made upon a "change of control event" under section 409A of the Code, (iv) unless the Grant specifies otherwise, each payment shall be treated as a separate payment for purposes of section 409A of the Code and all installment payments shall be treated as a separate payment, and (v) in no event shall a Participant, directly or indirectly, designate the calendar year in which a distribution is made except in accordance with section 409A of the Code. Any Grant granted under the Plan that is subject to section 409A of the Code and that is to be distributed to a key employee (as defined below) upon separation from service shall be administered so that any distribution with respect to such Grant shall be postponed for six months following the date of the Participant's separation from service, if required by section 409A of the Code. If a distribution is delayed pursuant to section 409A of the Code, the distribution shall be paid within 30 days after the end of the six-month period. If the Participant dies during such six-month period, any postponed amounts shall be paid within 60 days of the Participant's death. The determination of key employees, including the number and identity of persons considered key employees and the identification date, shall be made by the Committee or its delegate each year in accordance with section 416(i) of the Code and the "specified employee" requirements of section 409A of the Code. Notwithstanding the foregoing, although Grants are intended to be exempt from, or comply with, the requirements of section 409A of the Code, and the Plan shall be interpreted accordingly, the Company does not warrant that any Grant will qualify for favorable tax treatment under section 409A of the Code or any other provision of federal, state, local or foreign law. The Company shall not be liable to any Participant for any tax the Participant might owe as a result of the grant, holding, vesting, exercise, or payment of any Grant under the Plan.

(d) *Enforceability; Company Successors*. The Plan shall be binding upon and enforceable against the Company and its successors and assigns. In the event the Company becomes a party to a merger, consolidation, sale of substantially all of its assets or any other corporate reorganization in which the Company will not be the surviving corporation or in which the holders of the Company Stock will receive securities of another corporation, then such other corporation shall be assigned the rights and assume the obligations of the Company under this Plan.

(e) *Funding of the Plan; Limitation on Rights*. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under this Plan. Nothing contained in the Plan and no action taken pursuant hereto shall create or be construed to create a fiduciary relationship between the Company and any Participant or any other person. No Participant or any other person shall under any circumstances acquire any property interest in any specific assets of the Company. To the extent that any person acquires a right to receive payment from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

(f) *Rights of Participants*. Nothing in this Plan shall entitle any Employee, Non-Employee Director or other person to any claim or right to receive a Grant under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employment or service of the Company or any other Employer. Participation in this Plan shall not constitute a contract of employment between the Company or any Employer and any Participant and shall not be deemed to be consideration for, or a condition of, continued employment or service of any Participant. A Participant's right, if any, to serve the Employer as an Employee or Non-Employee Director or otherwise shall not be enlarged or otherwise affected by his or her designation as a Participant under the Plan.

(g) *No Fractional Shares*. No fractional shares of Company Stock shall be issued or delivered pursuant to the Plan or any Grant. The Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(h) *Employees Subject to Taxation Outside the United States*. With respect to Participants who are subject to taxation in countries other than the United States, the Committee may make Grants on such terms and conditions as the Committee deems appropriate to comply with the laws of the applicable countries, and the Committee may create such procedures, addenda and subplans and make such modifications as may be necessary or advisable to comply with such laws.

(i) *Clawback Provisions*. If a Participant is subject to the provisions of (i) section 304 of the Sarbanes-Oxley Act of 2002 and/or (ii) any policies adopted by the Company in accordance with rules that may be promulgated by the Securities and Exchange Commission pursuant to section 10D of the Exchange Act (individually or collectively, the "Clawback Rules"), all Grants under the Plan to such Participant shall be subject to all applicable clawback or recoupment policies or practices of the Company. In addition, all Grants under the Plan shall be subject to (a) the Company's insider and share trading, and stock ownership and retention requirements, policies and guidelines, and (b) other requirements, policies, practices or guidelines implemented by the Board or the Committee, as may be in effect from time to time.

(j) *Relationship to Other Benefits*. Any Grants under this Plan are not considered compensation for purposes of determining benefits under any pension, profit sharing, or other retirement or welfare plan, or for any other general employee benefit program.

(k) *Expenses*. The expenses of administering the Plan shall be borne by the Company and its subsidiaries.

(l) *Titles and Headings*. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

(m) *Indemnification*. Each person who is or at any time serves as a member of the Board or the Committee (and each person to whom the Board or the Committee has delegated any of its authority or power under this Plan) shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit, or proceeding to which such person may be a party or in which such person may be involved by reason of any action or failure to act under the Plan; and (ii) any and all amounts paid by such person in satisfaction of judgment in any such action, suit, or proceeding relating to the Plan. Each person covered by this indemnification shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Restated Certificate of Incorporation or Amended and Restated Bylaws of the Company or any of its subsidiaries, as a matter of law, or otherwise, or any power that the Company may have to indemnify such person or hold such person harmless.

(n) *Reliance on Reports*. Each member of the Board or the Committee (and each person to whom the Board or the Committee has delegated any of its authority or power under this Plan) shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its subsidiaries and upon any other information furnished in connection with the Plan. In no event shall any person who is or shall have been a member of the Board or the Committee (or their delegates) be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

(o) *Governing Law*. The validity, construction, interpretation and effect of the Plan and Grant Agreements issued under the Plan shall be governed and construed by and determined in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

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Section 3: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

I, Susan N. Story, certify that:

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

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

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

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

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by

others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

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

Date: August 2, 2017

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

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Section 4: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

I, Linda G. Sullivan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 2, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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Section 5: EX-32.1 (EX-32.1)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan N. Story, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

August 2, 2017

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Section 6: EX-32.2 (EX-32.2)

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Linda G. Sullivan, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

August 2, 2017

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Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

For the quarterly period ended March 31, 2017

OR

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

For the transition period from _____to _____

Commission file number 001-34028

AMERICAN WATER WORKS COMPANY, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
(Do not check if a smaller reporting company)		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Class	**Outstanding as of April 27, 2017**
Common Stock, $0.01 par value per share	**178,191,126 shares**

(excludes 4,064,010 treasury shares as of April 27, 2017)

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FOR THE QUARTER ENDED MARCH 31, 2017
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FORWARD-LOOKING STATEMENTS

We have made statements in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Quarterly Report on Form 10-Q ("Form 10-Q"), that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things, our future financial performance, including our operation and maintenance ("O&M") efficiency ratio, cash flows, our growth and portfolio optimization strategies, our projected capital expenditures and related funding requirements, our ability to repay debt, our projected strategy to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory, legislative, political, tax policy or legal developments or rate adjustments, including rate case filings, filings for infrastructure surcharges and filings to address regulatory lag.

Forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results or levels of activity, performance or achievements, and you are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Our actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower rates;
- the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting and other decisions
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts;
- changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections;
- weather conditions, patterns, events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, electrical storms and solar flares;
- the outcome of litigation and government action related to the Freedom Industries chemical spill in West Virginia, including matters pertaining to the binding global agreement in principle to settle claims related to this chemical spill;
- our ability to appropriately maintain current infrastructure, including our operational and information technology ("IT") systems, and manage the expansion of our business;
- exposure or infiltration of our critical infrastructure, operational technology and IT systems through physical or cyber attacks or other disruptions;
- our ability to obtain permits and other approvals for projects;
- changes in our capital requirements;
- our ability to control operating expenses and to achieve efficiencies in our operations;
- the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers;
- our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations;
- our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of our operations;
- our ability to maintain safe work sites;

- our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water management solutions that are focused on customers in the natural gas exploration and production market;
- changes in general economic, political, business and financial market conditions;
- access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends;
- fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements;
- changes in federal or state income tax laws, including tax reform, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. and state net operating loss carryforwards;
- migration of customers into or out of our service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn our systems;
- difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions;
- the incurrence of impairment charges related to our goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the ability to retain and attract qualified employees;
- civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risk factors and other statements contained in our Annual Report on Form 10-K for the year ended December 31, 2016 (“Form 10-K”), and in this Form 10-Q, and you should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements we make speak only as of the date this Form 10-Q was filed with the United States Securities and Exchange Commission (“SEC”). Except as required by the federal securities laws, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	March 31, 2017	December 31, 2016
ASSETS		
Property, plant and equipment	$ 20,189	$ 19,954
Accumulated depreciation	(5,061)	(4,962)
Property, plant and equipment, net	15,128	14,992
Current assets:		
Cash and cash equivalents	78	75
Restricted funds	23	20
Accounts receivable, net	250	269
Unbilled revenues	227	263
Materials and supplies	41	39
Other	148	118
Total current assets	767	784
Regulatory and other long-term assets:		
Regulatory assets	1,298	1,289
Goodwill	1,345	1,345
Other	72	72
Total regulatory and other long-term assets	2,715	2,706
TOTAL ASSETS	$ 18,610	$ 18,482

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

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

	March 31, 2017	December 31, 2016
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 182,231,713 and 181,798,555 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,400	6,388
Accumulated deficit	(759)	(873)
Accumulated other comprehensive loss	(82)	(86)
Treasury stock, at cost (4,502,221 and 3,701,867 shares, respectively)	(274)	(213)
Total common stockholders' equity	5,287	5,218
Long-term debt	5,744	5,749
Redeemable preferred stock at redemption value	9	10
Total long-term debt	5,753	5,759
Total capitalization	11,040	10,977
Current liabilities:		
Short-term debt	980	849
Current portion of long-term debt	574	574
Accounts payable	108	154
Accrued liabilities	453	609
Taxes accrued	67	31
Interest accrued	101	63
Other	135	112
Total current liabilities	2,418	2,392
Regulatory and other long-term liabilities:		
Advances for construction	297	300
Deferred income taxes, net	2,629	2,596
Deferred investment tax credits	23	23
Regulatory liabilities	404	403
Accrued pension expense	420	419
Accrued postretirement benefit expense	86	87
Other	68	67
Total regulatory and other long-term liabilities	3,927	3,895
Contributions in aid of construction	1,225	1,218
Commitments and contingencies (see Note 8)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 18,610	$ 18,482

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

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

	For the Three Months Ended March 31,	
	2017	**2016**
Operating revenues	$ 756	$ 743
Operating expenses:		
Operation and maintenance	337	348
Depreciation and amortization	124	116
General taxes	68	66
Gain on asset dispositions and purchases	-	(1)
Total operating expenses, net	529	529
Operating income	227	214
Other income (expense):		
Interest, net	(85)	(80)
Other, net	3	2
Total other income (expense)	(82)	(78)
Income from continuing operations before income taxes	145	136
Provision for income taxes	52	54
Net income attributable to common stockholders	$ 93	$ 82
Basic earnings per share:		
Net income attributable to common stockholders	$ 0.52	$ 0.46
Diluted earnings per share:		
Net income attributable to common stockholders	$ 0.52	$ 0.46
Weighted-average common shares outstanding:		
Basic	178	178
Diluted	179	179
Dividends declared per common share	—	—

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

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2017	**2016**
Net income attributable to common stockholders	$ 93	$ 82
Other comprehensive income (loss), net of tax:		
Pension amortized to periodic benefit cost:		
Actuarial loss, net of tax of $1 in 2017 and 2016	2	1
Foreign currency translation adjustment	(1)	1
Unrealized gain (loss) on cash flow hedges, net of tax of $2 and $(1) in 2017 and 2016, respectively	3	(1)
Net other comprehensive income	4	1
Comprehensive income attributable to common stockholders	$ 97	$ 83

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

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 93	$ 82
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	124	116
Deferred income taxes and amortization of investment tax credits	64	65
Provision for losses on accounts receivable	4	6
Gain on asset dispositions and purchases	—	(1)
Pension and non-pension postretirement benefits	15	15
Other non-cash, net	(18)	(24)
Changes in assets and liabilities:		
Receivables and unbilled revenues	51	49
Pension and non-pension postretirement benefit contributions	(11)	(14)
Accounts payable and accrued liabilities	(72)	15
Other assets and liabilities, net	27	(49)
Net cash provided by operating activities	277	260
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(270)	(284)
Acquisitions	(2)	(22)
Proceeds from sale of assets and securities	—	1
Removal costs from property, plant and equipment retirements, net	(13)	(17)
Net funds restricted	(3)	(1)
Net cash used in investing activities	(288)	(323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	(4)	(11)
Net short-term borrowings with maturities less than three months	131	211
Proceeds from issuances of employee stock plans and DRIP	10	10
Advances and contributions for construction, net of refunds of $4 and $4, respectively	7	7
Debt issuance costs	—	(1)
Dividends paid	(67)	(61)
Anti-dilutive stock repurchase	(54)	(62)
Taxes paid related to employee stock plans	(9)	(9)
Net cash provided by financing activities	14	84
Net increase in cash and cash equivalents	3	21
Cash and cash equivalents as of beginning of period	75	45
Cash and cash equivalents as of end of period	$ 78	$ 66
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of end of period	$ 142	$ 166

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

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
(In millions)

	Common Stock				Accumulated Other	Treasury Stock		Total
	Shares	Par Value	Paid-in-Capital	Accumulated Deficit	Comprehensive Loss	Shares	At Cost	Stockholders' Equity
Balance as of December 31, 2016	181.8	$ 2	$ 6,388	$ (873)	$ (86)	(3.7)	$ (213)	$ 5,218
Cumulative effect of change in accounting principle	—	—	—	21	—	—	—	21
Net income attributable to common stockholders	—	—	—	93	—	—	—	93
Direct stock reinvestment and purchase plan	—	—	3	—	—	—	—	3
Employee stock purchase plan	—	—	2	—	—	—	—	2
Stock-based compensation activity	0.4	—	7	—	—	(0.1)	(7)	-
Repurchases of common stock	—	—	—	—	—	(0.7)	(54)	(54)
Net other comprehensive income (loss)	—	—	—	—	4	—	—	4
Balance as of March 31, 2017	182.2	$ 2	$ 6,400	$ (759)	$ (82)	(4.5)	$ (274)	$ 5,287

	Common Stock				Accumulated Other	Treasury Stock		Total
	Shares	Par Value	Paid-in-Capital	Accumulated Deficit	Comprehensive Loss	Shares	At Cost	Stockholders' Equity
Balance as of December 31, 2015	180.9	$ 2	$ 6,351	$ (1,073)	$ (88)	(2.6)	$ (143)	$ 5,049
Net income attributable to common stockholders	—	—	—	82	—	—	—	82
Direct stock reinvestment and purchase plan	—	—	1	—	—	—	—	1
Employee stock purchase plan	—	—	1	—	—	—	—	1
Stock-based compensation activity	0.5	—	15	—	—	(0.1)	(5)	10
Repurchases of common stock	—	—	—	—	—	(1.0)	(62)	(62)
Net other comprehensive income (loss)	—	—	—	—	1	—	—	1
Balance as of March 31, 2016	181.4	$ 2	$ 6,368	$ (991)	$ (87)	(3.7)	$ (210)	$ 5,082

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

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited consolidated financial statements provided in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (collectively, "American Water" or the "Company") in which a controlling interest is maintained after the elimination of intercompany accounts and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of March 31, 2017 and results of operations and cash flows for all periods presented have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The Consolidated Balance Sheet as of December 31, 2016 is derived from the Company's audited consolidated financial statements as of December 31, 2016. The unaudited financial statements and notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2016 ("Form 10-K") which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, due primarily to the seasonality of the Company's operations.

Note 2: New Accounting Standards

The Company adopted the following accounting standard on January 1, 2017:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Simplification of Employee Share-Based Payment Accounting	Simplified accounting and disclosure requirements for share-based payment awards. The updated guidance addresses simplification in areas such as: (i) the recognition of excess tax benefits and deficiencies; (ii) the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows; (iii) election of an accounting policy for forfeitures; and (iv) the amount an employer can withhold to cover income taxes and still qualify for equity classification.	January 1, 2017	Modified retrospective for the recognition of excess tax benefits and deficiencies; full retrospective for the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows	The adoption of this standard resulted in a cumulative effect to increase retained earnings by $21, with an offsetting decrease to deferred income taxes, net. Also, the adoption resulted in a net increase in cash flows from operating activities and a net decrease in cash flows from financing activities of $14 and $13 for the three months ended March 31, 2017 and 2016, respectively, on the Consolidated Statements of Cash Flows.

The following recently issued accounting standards are not yet required to be adopted by the Company as of March 31, 2017:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Revenue from Contracts with Customers	Changes the criteria for recognizing revenue from a contract with a customer. Replaces existing guidance on revenue recognition, including most industry specific guidance. The objective is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and related cash flows.	January 1, 2018; early adoption permitted	Full or modified retrospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures, as well as the transition method to be used to adopt the guidance. The Company is also considering the impacts of the new standard on its accounting for contributions in aid of construction. The Company does not expect to early adopt.
Classification of Certain Cash Receipts and Cash Payments on the Statement of Cash Flows	Provides guidance on the presentation and classification in the statement of cash flows for the following cash receipts and payments: (i) debt prepayment or debt extinguishment costs; (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (iii) contingent consideration payments made after a business combination; (iv) proceeds from the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (vi) distributions received from equity method investees; (vii) beneficial interests in securitization transactions; and (viii) separately identifiable cash flows and application of the predominance principle.	January 1, 2018; early adoption permitted	Retrospective	The Company does not anticipate significant impacts on its Consolidated Statements of Cash Flows.
Presentation of Changes in Restricted Cash on the Statement of Cash Flows	Updates the accounting and disclosure guidance for the classification and presentation of changes in restricted cash on the statements of cash flows. The amended guidance requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents and amounts described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will now be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.	January 1, 2018; early adoption permitted	Retrospective	The Company does not anticipate significant impacts on its Consolidated Statements of Cash Flows.
Clarifying the Definition of a Business	Updates the accounting guidance to clarify the definition of a business with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions, or disposals, of assets or businesses.	January 1, 2018; early adoption permitted	Prospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures.
Gains and Losses from the Derecognition of Nonfinancial Assets	Updated the guidance to clarify the accounting for gains and losses resulting from the derecognition of nonfinancial assets and partial sale of nonfinancial assets. The guidance also clarifies the definition of an in-substance nonfinancial asset.	January 1, 2018; early adoption permitted	Full or modified retrospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures.
Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	Updated authoritative guidance requires the service cost component of net periodic benefit cost to be presented in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. The remaining components of net periodic benefit cost are required to be presented separately from the service cost component in an income statement line item outside of operating income. Also, the guidance allows for only the service cost component to be eligible for capitalization. The updated guidance does not impact the accounting for net periodic benefit costs as regulatory assets or liabilities.	January 1, 2018; early adoption permitted	Retrospective for the presentation of service cost component; prospective for the capitalization of service cost component	The Company is evaluating the impact on the consolidated financial statements and related disclosures.
Accounting for Leases	Updated the accounting and disclosure guidance for leasing arrangements. Under this guidance, a lessee will be required to recognize the following for all leases, excluding short-term leases, at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the guidance, lessor accounting is largely unchanged.	January 1, 2019; early adoption permitted	Modified retrospective	The Company is evaluating the effect on the consolidated financial statements, related disclosures, as well as the timing of adoption.

Simplification of Goodwill Impairment Testing	Updated authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in the update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying value exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	January 1, 2020; early adoption permitted	Prospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures, as well as the timing of adoption.
Measurement of Credit Losses	Updated the accounting guidance on reporting credit losses for financial assets held at amortized cost basis and available-for-sale debt securities. Under this guidance, expected credit losses are required to be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. Also, this guidance requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down.	January 1, 2020; early adoption permitted	Modified retrospective	The Company is evaluating the impact on the consolidated financial statements and related disclosures, as well as the timing of adoption.

Note 3: Acquisitions

During the three months ended March 31, 2017, the Company closed on two water system acquisitions for a total aggregate purchase price under $1. Also, our Regulated Business made a non-escrowed deposit of $2 related to the acquisition of the McKeesport, Pennsylvania wastewater system which is expected to close in the fourth quarter of 2017.

On April 3, 2017, the Company acquired all of the outstanding capital stock of Shorelands Water Company, Inc. for total consideration of $33, in the form of approximately 0.4 shares of the Company's common stock. Assets acquired, principally utility plant, totaled $26. Liabilities assumed totaled $19, including $5 of contributions in aid of construction, and assumed debt of $6. This acquisition will be recorded during the second quarter of 2017 and includes $27 of goodwill, which will be reported in the Company's Regulated Businesses segment. The preliminary price allocation related to this acquisition will be finalized once the valuation of assets acquired has been completed, no later than one year after the acquisition date.

Note 4: Stockholders' Equity

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2017 and 2016, respectively:

	Defined Benefit Plans					Accumulated
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Foreign Currency Translation	Gain (Loss) on Cash Flow Hedges	Other Comprehensive Loss
Beginning balance as of December 31, 2016	$ (147)	$ 1	$ 42	$ 2	$ 16	$ (86)
Other comprehensive income (loss) before reclassifications	—	—	—	(1)	3	2
Amounts reclassified from accumulated other comprehensive loss	—	—	2	—	—	2
Net other comprehensive income (loss)	—	—	2	(1)	3	4
Ending balance as of March 31, 2017	$ (147)	$ 1	$ 44	$ 1	$ 19	$ (82)
Beginning balance as of December 31, 2015	$ (126)	$ 1	$ 36	$ 2	$ (1)	$ (88)
Other comprehensive income (loss) before reclassifications	—	—	—	1	(1)	—
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	—	1
Net other comprehensive income (loss)	—	—	1	1	(1)	1
Ending balance as of March 31, 2016	$ (126)	$ 1	$ 37	$ 3	$ (2)	$ (87)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been capitalized as a regulatory asset. These accumulated other comprehensive income loss components are included in the computation of net periodic pension cost. See Note 7— Pension and Other Postretirement Benefits.

The amortization of the loss on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Anti-dilutive Stock Repurchase Program

During the three months ended March 31, 2017, the Company repurchased 0.7 shares of common stock in the open market at an aggregate cost of $54 under the anti-dilutive stock repurchase program authorized by the Company's Board of Directors in 2015. As of March 31, 2017, there were 6.1 shares of common stock available for repurchase under the program.

Note 5: Long-Term Debt

The following long-term debt was retired through sinking fund provisions, optional redemptions or payment at maturity during the three months ended March 31, 2017:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp. (a)	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	$ 1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.38%	2017-2041	2
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	2036	1
Total retirements and redemptions				$ 4

(a) American Water Capital Corp., which is a wholly owned subsidiary of the Company, has a support agreement with the Company that, under certain circumstances, is the functional equivalent of a guarantee. This indebtedness is considered "debt" for purposes of this support agreement.

The Company has four forward starting swap agreements with an aggregate notional amount of $300 to reduce interest rate exposure on debt expected to be issued in 2017. These forward starting swap agreements terminate in December 2017 and have an average fixed rate of 2.20%. On February 8, 2017, the Company entered into a forward starting swap agreement with a notional amount of $100 to reduce interest rate exposure for a portion of the expected refinancing of the Company's 5.62% fixed-rate long-term debt maturing in December 2018. This forward starting swap agreement terminates in November 2018 and has an average fixed rate of 2.67%. The Company has designated these forward starting swap agreements as cash flow hedges and the initial fair value, in addition to any subsequent changes in fair value, are recognized in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the issued debt.

The Company has an interest rate swap to hedge $100 of its 6.085% fixed-rate debt maturing in 2017. The Company pays variable interest of six-month LIBOR plus 3.422% and the interest rate swap matures with the fixed-rate debt in 2017. The Company has designated the interest rate swap as a fair value hedge accounted for at fair value with gains or losses, as well as the offsetting gains or losses on the hedged item, recognized in interest, net. The net gain recognized by the Company was de minimis for the three months ended March 31, 2017 and 2016.

The Company has employed interest rate swaps to fix the interest cost on a portion of its variable-rate debt with an aggregate notional amount of $6. The Company has designated these instruments as economic hedges accounted for at fair value with gains or losses recognized in interest, net. The net gain recognized by the Company was de minimis for the three months ended March 31, 2017 and 2016.

No ineffectiveness was recognized for the three months ended March 31, 2017 and 2016 related to hedging instruments.

The following table provides a summary of the gross fair value for the Company's derivative asset and liabilities, as well as the location of the asset and liability balances in the Consolidated Balance Sheets:

Derivative Instruments	Derivative Designation	Balance Sheet Classification	March 31, 2017	December 31, 2016
Asset Derivative				
Forward starting swaps	Cash flow hedge	Other current assets	$ 31	$ 27
Forward starting swaps	Cash flow hedge	Other long-term assets	1	—
Interest rate swap	Fair value hedge	Other current assets	1	1
Liability Derivative				
Interest rate swap	Fair value hedge	Current portion of long-term debt	$ 1	$ 1

Note 6: Income Taxes

The Company's effective income tax rate was 35.9% and 39.7% for the three months ended March 31, 2017 and 2016, respectively. The effective income tax rate for the three months ended March 31, 2017 was impacted by a $5 tax benefit from the new accounting standard for employee share-based payment awards which was adopted in 2017. Under this updated guidance, tax benefits or shortfalls related to employee share-based payment awards are recognized in the provision for income taxes, whereas they previously were recorded as additional paid-in capital on the Consolidated Balance Sheets. See Note 2—New Accounting Standards in the Notes to Consolidated Financial Statements for further discussion on the impacts of the updated guidance.

On April 11, 2017, the State of New York enacted legislation that would increase the state income tax rate on the Company's taxable income attributable to New York. Manufacturers in New York are taxed at a lower income tax rate, and this legislation eliminated the production of water as a qualified manufacturing activity. The effective date of the legislation is January 1, 2018 and this future increase in the New York tax rate will cause the Company to book a one-time adjustment during the second quarter of 2017, increasing its state accumulated deferred income tax liability. An offsetting adjustment will be recorded to regulatory assets for the amount recoverable in future customer rates, with the remaining balance recorded to income tax expense.

Note 7: Pension and Other Postretirement Benefits

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

	For the Three Months Ended March 31,	
	2017	2016
Components of net periodic pension benefit cost		
Service cost	$ 9	$ 8
Interest cost	20	20
Expected return on plan assets	(24)	(24)
Amortization of actuarial loss	9	7
Net periodic pension benefit cost	$ 14	$ 11
Components of net periodic other postretirement benefit cost		
Service cost	$ 3	$ 3
Interest cost	7	7
Expected return on plan assets	(7)	(6)
Amortization of prior service credit	(5)	(1)
Amortization of actuarial loss	3	1
Net periodic other postretirement benefit cost	$ 1	$ 4

The Company contributed $10 to its defined benefit pension plans in the first three months of 2017 and expects to contribute $30 during the remainder of 2017. In addition, the Company contributed $1 for the funding of its other postretirement plans in the first three months of 2017 and expects to contribute $5 during the remainder of 2017.

Note 8: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of March 31, 2017, the Company has accrued approximately $138 of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $28. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 8, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

Background

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol, or MCHM, and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the West Virginia-American Water Company ("WVAWC") treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection ("DEP"), WVAWC took immediate steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a "Do Not Use" order for all of its approximately 93,000 customer accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC's customers were subject to the Do Not Use order.

Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, 74 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. On January 28, 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed pending the negotiation by the parties and approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. On July 7, 2016, the court in the Federal action scheduled trial to begin on October 25, 2016, but the court has granted several continuances of the trial, which is currently postponed until June 6, 2017 and remains subject to further delay in light of the binding global agreement in principle described below. The Mass Litigation Panel has also stayed its proceedings until July 26, 2017.

WVAWC Binding Global Agreement in Principle to Settle Claims

On October 31, 2016, the court in the Federal action approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle claims (the "Settlement") among the American Water Defendants, and all class members, putative class members, claimants and potential claimants (collectively, the "Plaintiffs"), arising out of the Freedom Industries chemical spill. The terms of the Settlement propose a global federal and state resolution of all litigation and potential claims against the American Water Defendants and their insurers. A claimant may elect to opt out of any final settlement agreement, in which case such claimant will not receive any benefit from or be bound by the terms of the Settlement. Under the terms and conditions of the Settlement and any subsequent final settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved.

The proposed aggregate pre-tax amount of the Settlement is $126, of which $65 would be contributed by WVAWC, and the remainder would be contributed by certain of the Company's general liability insurance carriers. The Company has general liability insurance under a series of policies underwritten by a number of individual carriers. Two of these insurance carriers, which provide an aggregate of $50 in insurance coverage to the Company under these policies, were requested, but presently have not agreed, to participate in the Settlement. The Company and WVAWC are vigorously pursuing their rights to insurance coverage from these non-participating carriers for any contributions by WVAWC to the Settlement. In this regard, WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constitutes a breach of contract, and the Company is pursuing mandatory arbitration against the other non-participating carrier.

The preliminary terms of the Settlement intend to establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76, of which $51 will be contributed by WVAWC, including insurance deductibles, and $25 would be contributed by one of the Company's general liability insurance carriers, and (ii) an individual review claim fund of up to $50, of which up to $14 would be contributed by WVAWC and $36 would be contributed by a

number of the Company's general liability insurance carriers. Separately, up to $25 would be contributed to the guaranteed fund by another defendant to the Settlement.

As a result of these events, the Company recorded a charge to earnings, net of insurance receivables, of $65 ($39 after-tax) in the third quarter of 2016. The settlement amount of $126 is reflected in Accrued Liabilities and the offsetting insurance receivable is reflected in Other Current Assets in the Consolidated Balance Sheet as of March 31, 2017. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia for approximately $4 in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The $36 to be contributed by a number of the Company's general liability insurance carriers to the individual review claim fund, as noted above, is from higher layers of the insurance structure than the two insurance carriers that were requested, but presently have not agreed, to participate in the Settlement. Any recovery by WVAWC or the Company from the non-participating carriers would reimburse WVAWC for its contributions to the guaranteed fund.

On April 27, 2017, the parties filed with the court in the Federal action a proposed settlement agreement providing details of the terms of the Settlement consistent with those described above. The parties also requested that the court in the Federal action grant preliminary approval of the Settlement. If and when preliminary approval of the Settlement is obtained, notice of the terms of the Settlement would then be provided to members of the settlement class. Following the notice period, the court in the Federal action would hold a fairness hearing to consider final approval of the Settlement.

Other Related Proceedings

Additionally, investigations with respect to the matter have been initiated by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the Public Service Commission of West Virginia (the "PSC"). As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act.

In May 2014, the PSC issued an Order initiating a General Investigation into certain matters relating to WVAWC's response to the Freedom Industries chemical spill. Three parties intervened in the proceeding, including the Consumer Advocate Division of the PSC and two attorney-sponsored groups, including one sponsored by some of the plaintiffs' counsel involved in the civil litigation described above. On January 26, 2017, WVAWC and the other parties agreed to resolve the General Investigation and filed a joint stipulation with the PSC containing the terms of the settlement. The parties to the joint stipulation filed a proposed order with the PSC on February 8, 2017.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. On September 28, 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. The Company provided written comments to the CSB's report suggesting that the recommendation made to the Company would be better directed to the U.S. Environmental Protection Agency in order to promote industry-wide implementation of the CSB's recommendation. On February 15, 2017, the Company filed a response to the CSB's recommendation. On April 4, 2017, the CSB indicated that the implementation by the Company of source water protection activities resolved the first two parts of the CSB's recommendation. The CSB also noted that compliance by the Company with the third part of its recommendation is ongoing and that closure of this part is contingent upon completion of updated contingency planning for the Company's water utilities outside of West Virginia.

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the "public nuisance" it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a complaint in Lincoln County state court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public nuisance in Lincoln County. The complaint seeks an injunction against WVAWC that would require the creation of various databases and public repositories of documents related to this chemical spill, as well as further study and risk assessments regarding the alleged exposure by Lincoln County residents to the released chemicals. WVAWC believes that the lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

California Public Utilities Commission Residential Rate Design Proceeding

In December 2016, the California Public Utilities Commission (the "CPUC") issued a final decision in a proceeding involving California-American Water Company, the Company's wholly owned subsidiary ("Cal Am"), adopting a new residential rate design for Cal Am's Monterey District. The decision allowed for recovery by Cal Am of $32 in under-collections in the water revenue adjustment mechanism/modified cost balancing account ("WRAM/MCBA") over a five-year period, plus interest, and modified existing conservation and rationing plans. In its decision, the CPUC noted concern regarding Cal Am's residential tariff administration, specifically regarding the lack of verification of customer-provided information about the number of residents per household. This information was used for generating billing determinants under the tiered rate system. As a result, the CPUC kept this proceeding open to address several issues, including whether Cal Am's residential tariff administration violated a statute, rule or CPUC decision, and if so, whether a penalty should be imposed.

On February 24, 2017, Cal Am, the Monterey Peninsula Water Management District, the CPUC's Office of Ratepayer Advocates, and the Coalition of Peninsula Businesses filed for CPUC approval of a joint settlement agreement (the "Joint Settlement Agreement"), which among other things, proposed to resolve the CPUC's residential tariff administration concerns by providing for a waiver by Cal Am of $0.5 of cost recovery for residential customers through the WRAM/MCBA in lieu of a penalty. Approval of the Joint Settlement Agreement, which is required for it to take effect, remains pending before the CPUC.

On March 28, 2017, the administrative law judge assigned to the proceeding issued a ruling stating there was sufficient evidence to conclude, on a preliminary basis, that Cal Am's administration of the residential tariff violated certain provisions of the California Public Utilities Code and a CPUC decision. The ruling ordered Cal Am to show cause why it should not be penalized for these administrative violations and directed the settling parties to address whether the cost recovery waiver in the Joint Settlement Agreement was reasonable compared to a potential penalty range described by the administrative law judge. During hearings held on April 13-14, 2017, the administrative law judge clarified that this potential penalty range is $3 to $179 (calculated as a continuing violation dating back to 2000 and applying penalties of up to $20 thousand per day until January 1, 2012 and penalties of up to $50 thousand per day thereafter, reflecting a 2012 change to the relevant statute). The administrative law judge also noted that a per diem penalty may not be appropriate, as Cal Am's monthly billing practices did not allow Cal Am to update customer-provided information for billing purposes on a daily basis. The administrative law judge has set further hearings in this proceeding for August 17, 2017, and has permitted certain of the parties, including Cal Am, to submit additional written testimony on the issue of whether Cal Am should be penalized, and if so, the reasonable amount of any such penalty.

As of March 31, 2017, the portions of this loss contingency that are probable and/or reasonable possible have been determined to be immaterial to the Company and have been included in the aggregate maximum amounts described above in this Note 8.

Missouri Infrastructure System Replacement Surcharge Litigation

In March 2016, the Western District of the Missouri Court of Appeals ruled that the Missouri Public Service Commission ("MoPSC") did not have statutory authority to issue an order in June 2015 approving an infrastructure system replacement surcharge ("ISRS") for Missouri-American Water Company ("MAWC"), a wholly owned subsidiary of the Company. The court held that the MoPSC's June 2015 order authorizing the ISRS increase was invalid because St. Louis County did not have a population of at least one million residents, as required by the statute. MAWC believes that the MoPSC's June 2015 order authorizing the collection of ISRS revenues is lawful. In June 2016, the Missouri Supreme Court granted MAWC's application to transfer the case from the Court of Appeals to the Missouri Supreme Court, and as a result of that order, the March 2016 ruling of the Court of Appeals was vacated.

On March 14, 2017, in a unanimous decision, the Missouri Supreme Court dismissed the case as moot, finding that there were no longer any ISRS funds in dispute because MAWC had completed a rate case during the appellate process and the disputed charges were now incorporated in base rates. On March 29, 2017, the Missouri Office of Public Counsel filed a Motion for Rehearing with the Missouri Supreme Court, which remains pending.

As a result of the Missouri Supreme Court's decision, the Company has determined that, as of March 31, 2017, a loss associated with this matter is remote.

Note 9: Earnings per Common Share

The following is a reconciliation of the numerator and denominator for basic and diluted earnings per share ("EPS") calculations:

	For the Three Months Ended March 31,	
	2017	2016
Numerator		
Net income attributable to common stockholders	$ 93	$ 82
Denominator		
Weighted-average common shares outstanding—Basic	178	178
Effect of dilutive common stock equivalents	1	1
Weighted-average common shares outstanding—Diluted	179	179

The effect of dilutive common stock equivalents is related to restricted stock units and stock options granted under the 2007 Plan, and shares purchased under the Company's Nonqualified Employee Stock Purchase Plan.

Note 10: Fair Value of Financial Assets and Liabilities

Fair Value of Financial Instruments

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

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

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

The carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and fair values of the financial instruments were as follows:

	Carrying	At Fair Value as of March 31, 2017			
	Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 11	$ —	$ —	$ 14	$ 14
Long-term debt (excluding capital lease obligations)	6,316	3,972	1,363	1,822	7,157

	Carrying	At Fair Value as of December 31, 2016			
	Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 12	$ —	$ —	$ 15	$ 15
Long-term debt (excluding capital lease obligations)	6,320	3,876	1,363	1,805	7,044

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level in the fair value hierarchy:

	At Fair Value as of March 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 28	$ —	$ —	$ 28
Rabbi trust investments	13	—	—	13
Deposits	4	—	—	4
Mark-to-market derivative assets	—	33	—	33
Other investments	4	—	—	4
Total assets	49	33	—	82
Liabilities:				
Deferred compensation obligations	15	—	—	15
Mark-to-market derivative liabilities	—	—	—	—
Total liabilities	15	—	—	15
Total net assets (liabilities)	$ 34	$ 33	$ —	$ 67

	At Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 24	$ —	$ —	$ 24
Rabbi trust investments	12	—	—	12
Deposits	3	—	—	3
Mark-to-market derivative assets	—	28	—	28
Other investments	1	—	—	1
Total assets	40	28	—	68
Liabilities:				
Deferred compensation obligations	13	—	—	13
Mark-to-market derivative liabilities	—	—	—	—
Total liabilities	13	—	—	13
Total net assets (liabilities)	$ 27	$ 28	$ —	$ 55

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations and maintenance projects. The proceeds of these financings are held in escrow until the designated expenditures are incurred. Long-term restricted funds of $4 were included in other long-term assets as of March 31, 2017 and December 31, 2016.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

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

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

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

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets.

Note 11: Segment Information

The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates businesses that provide a broad range of related and complementary water and wastewater services in non-regulated markets, which includes four operating segments that individually do not meet the criteria of a reportable segment. These four non-reportable operating segments are collectively presented as our "Market-Based Businesses". "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The following tables include the Company's summarized segment information:

	As of or for the Three Months Ended March 31, 2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 659	$ 103	$ (6)	$ 756
Depreciation and amortization	117	4	3	124
Total operating expenses, net	441	94	(6)	529
Interest, net	66	—	19	85
Income from continuing operations before income taxes	154	10	(19)	145
Provision for income taxes	60	3	(11)	52
Net income attributable to common stockholders	94	7	(8)	93
Total assets	16,632	555	1,423	18,610

	As of or for the Three Months Ended March 31, 2016			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 634	$ 114	$ (5)	$ 743
Depreciation and amortization	108	3	5	116
Total operating expenses, net	430	104	(5)	529
Interest, net	64	—	16	80
Income from continuing operations before income taxes	143	10	(17)	136
Provision for income taxes	56	4	(6)	54
Net income attributable to common stockholders	87	6	(11)	82
Total assets	15,472	512	1,433	17,417

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

The following discussion should be read together with the unaudited consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as result of a number of factors, including those we discuss under "Forward Looking Statements," and elsewhere in this Form 10-Q.

General

Through its subsidiaries, American Water Works Company, Inc. ("American Water" or the "Company") is the largest and most geographically diverse investor-owned publicly-traded water and wastewater utility company in the United States, as measured by both operating revenue and population served. Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial and other customers, including sale for resale and public authority customers. Our utilities are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation. We report the results of our utilities in our Regulated Businesses segment. We also operate several businesses that provide a broad range of related and complementary water and wastewater services that are not subject to economic regulation by state utility commissions or other entities engaged in utility regulation. We present the results of these businesses as our "Market-Based Businesses". For further description of our businesses, see Part I, Item 1—Business in our Form 10-K.

You should read the following discussion in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Form 10-Q and in our Form 10-K.

Financial Results

Income attributable to common stockholders was $93 million, or $0.52 per diluted share for the first quarter of 2017, an increase of 13% over the same period in 2016. This increase was primarily due to continued growth in our Regulated Businesses segment, largely attributable to additional authorized revenue driven by investment growth, acquisitions and organic growth, and a tax benefit associated with the new accounting standard requirements for stock-based compensation.

See "Comparison of Consolidated Results of Operations" and "Segment Results of Operations" below for further discussion on the consolidated results of operations, as well as our business segments.

Focusing on Central Themes

For 2017, our focus continues to be anchored on our five central themes: 1) Safety, 2) Customers, 3) People, 4) Growth and 5) Technology and Operational Efficiency. We continue our focus on operating our business responsibly and managing our operating and capital costs in a manner that benefits our customers and produces long-term value for our stockholders. Additionally, we continue to execute on our ongoing strategy that ensures a safe workplace for our employees, emphasizes public safety for our customers and communities, and leverages our human resources, processes and technology innovation to make our business more effective and efficient. The progress that we have made in the first three months of 2017 with respect to growth and improvement in our operational efficiency ratio is described below.

Growth—Infrastructure improvements, acquisitions and strategic capital investments

During the first three months of 2017, we made capital investments of approximately $242 million, the majority of which was in our Regulated Businesses, primarily to improve infrastructure. For the full year of 2017, our total capital investment, including acquisitions, is expected to be approximately $1.5 billion, most of which is allocated to improving infrastructure in our Regulated Businesses.

Regulated acquisition growth included:

- Closed acquisitions of $38 million, adding approximately 13,000 customers through May 3, 2017. This includes the acquisition on April 3, 2017, of all of the outstanding capital stock of Shorelands Water Company, Inc. ("Shorelands"), for total consideration of $33 million in the form of 438,211 shares of our common stock. Shorelands provides water service to approximately 11,000 customers in Monmouth County, New Jersey. The assets acquired are owned by New Jersey-American Water Company, Inc.
- Pending acquisitions representing the addition of approximately 33,000 customers, including the September 9, 2016, asset purchase agreement signed by Pennsylvania-American Water Company to acquire substantially all of the wastewater collection and treatment system assets of the Municipal Authority of the City of McKeesport, Pennsylvania for approximately $156 million, subject to certain adjustments provided in the agreement. In connection with the execution of this agreement, a $7 million non-escrowed deposit has been made to the seller. The closing of this acquisition is subject to the satisfaction of various conditions and covenants, including obtaining the approval of the Pennsylvania Public Utility Commission. The system currently represents approximately 22,000 wastewater customers. We are expecting to close this acquisition in the fourth quarter of 2017.

Technology & Operational Efficiency—Continuing Improvement in Adjusted Operation and Maintenance ("O&M") Efficiency Ratio for our Regulated Businesses

We continued to improve on our adjusted O&M efficiency ratio (a non-GAAP measure). Our adjusted O&M efficiency ratio for the twelve months ended March 31, 2017 was 34.6%, compared to 35.6% for the twelve months ended March 31, 2016. The improvement in the 2017 O&M efficiency ratio over this period was attributable to an increase in revenue.

Our adjusted O&M efficiency ratio is defined as our regulated O&M expenses divided by regulated operating revenues, where both O&M expenses and operating revenues were adjusted to eliminate purchased water expense. Additionally, from the O&M expenses, we excluded the allocable portion of non-O&M support services cost, mainly depreciation and general taxes that are reflected in the Regulated Businesses segment as O&M expenses but for consolidated financial reporting purposes are categorized within other line items in the accompanying Consolidated Statements of Operations. In addition to the standard adjustments to the O&M efficiency ratio for the twelve months ended March 31, 2017, we have also excluded from O&M expenses, the impact from the binding global agreement in principle related to the Freedom Industries chemical spill in West Virginia. We excluded all the above items from the calculation as we believe such items are not reflective of management's ability to increase efficiency of the Company's regulated operations.

We evaluate our operating performance using this measure because we believe it is a direct measure of the improvement to the efficiency of our regulated operations. This information is intended to enhance an investor's overall understanding of our operating performance. The O&M efficiency ratio is not a GAAP financial measure and may not be comparable to other companies' operating measures and should not be used in place of the GAAP information provided elsewhere in this report.

The following table provides the calculation and reconciliation that compares O&M expenses and operating revenues, as determined in accordance with GAAP, to those amounts utilized in the calculation of our adjusted O&M efficiency ratio for the twelve months ended March 31, 2017, as compared to the same period in 2016:

(In millions)	For the Twelve Months Ended March 31, 2017	2016
Total operation and maintenance expenses	$ 1,493	$ 1,428
Less:		
Operation and maintenance expenses—Market-Based Businesses	361	383
Operation and maintenance expenses—Other	(44)	(46)
Total operation and maintenance expenses—Regulated Businesses	1,176	1,091
Less:		
Regulated purchased water expenses	122	116
Allocation of non-operation and maintenance expenses	28	33
Impact of binding global agreement in principle	65	—
Adjusted operation and maintenance expenses—Regulated Businesses (a)	$ 961	$ 942
Total operating revenues	$ 3,315	$ 3,204
Less:		
Operating revenues—Market-Based Businesses	440	461
Operating revenues—Other	(21)	(19)
Total regulated operating revenues—Regulated Businesses	2,896	2,762
Less:		
Regulated purchased water revenues*	122	116
Adjusted operating revenues—Regulated Businesses (b)	$ 2,774	$ 2,646
Adjusted operation and maintenance efficiency ratio—Regulated Businesses (a)/(b)	34.6%	35.6%

* Calculation assumes purchased water revenues approximate purchased water expenses.

Regulatory Matters

The table below provides rate authorizations which became effective during the three months ended March 31, 2017. The table depicts annualized incremental revenues, assuming a constant water sales volume, resulting from general rate cases and, infrastructure surcharge mechanisms that became effective during the period:

(In millions)	For the Three Months Ended March 31, 2017
General rate cases by state:	
Illinois (January 1)	$ 25
California (January 13)	5
Iowa (March 27)	4
Total general rate cases	$ 34
Infrastructure surcharges by state:	
West Virginia (January 1)	$ 2
Pennsylvania (January 1)	1
Tennessee (March 14)	2
Indiana (March 22)	8
Total infrastructure surcharges	$ 13

Pending and Filed Rate Cases

On April 3, 2017, our California subsidiary filed a cost of capital application requesting a return on equity of 10.8%. The results of this proceeding will not become effective until January 2018.

On April 13, 2017, our New Jersey subsidiary filed for an infrastructure surcharge requesting additional revenues of $10 million.

On April 28, 2017, our Pennsylvania subsidiary filed a general rate case requesting $108 million in additional annualized water and wastewater revenues.

In addition to the filings discussed above, we are awaiting final general rate case orders in three states requesting additional annualized revenue of $52 million. One of these states authorized interim rates under bond, subject to refund, which were put into effect in 2016. We are also awaiting approval in one state for a step rate and attrition rate increase of $8 million in both 2019 and 2020. There is no assurance that all or any portion of these requests will be granted.

Other Regulatory Matters

On April 5, 2017, Senate Bill 1492 impacting our Virginia subsidiary was approved and will become law later in 2017. The new law directs the Virginia State Corporation Commission to require water and wastewater utilities in any proceeding after July 1, 2017, to consolidate tariffs for each service statewide.

Other Tax Matters

On April 11, 2017, the State of New York enacted legislation that would increase the state income tax rate on our taxable income attributable to New York. Manufacturers in New York are taxed at a lower income tax rate, and this legislation eliminated the production of water as a qualified manufacturing activity. The effective date of the legislation is January 1, 2018 and this future increase in the New York tax rate will cause us to book a one-time adjustment during the second quarter of 2017, increasing our state accumulated deferred income tax liability. An offsetting adjustment will be recorded to regulatory assets for the amount recoverable in future customer rates, with the remaining balance, preliminarily estimated to be between $5 million and $7 million, recorded to income tax expense.

Consolidated Results of Operations

(In millions)	For the Three Months Ended March 31, 2017	2016	Increase (Decrease)	%
Operating revenues	$ 756	$ 743	$ 13	1.7
Operating expenses:				
Operation and maintenance	337	348	(11)	(3.2)
Depreciation and amortization	124	116	8	6.9
General taxes	68	66	2	3.0
Gain on asset dispositions and purchases	—	(1)	1	(100.0)
Total operating expenses, net	529	529	—	—
Operating income	227	214	13	6.1
Other income (expenses):				
Interest, net	(85)	(80)	(5)	6.3
Other, net	3	2	1	50.0
Total other income (expenses)	(82)	(78)	(4)	5.1
Income from continuing operations before income taxes	145	136	9	6.6
Provision for income taxes	52	54	(2)	(3.7)
Net income attributable to common stockholders	$ 93	$ 82	$ 11	13.4

Comparison of Consolidated Results of Operations

Operating revenues. For the three months ended March 31, 2017, operating revenues increased primarily due to a:

- $25 million increase in our Regulated Businesses segment principally due to authorized rate increases to fund infrastructure investment growth, acquisitions and organic growth, partially offset by lower demand and consumption when compared to the same period in 2016; and
- $11 million decrease in our Market-Based Businesses primarily due to lower revenue from capital upgrades in our Military Services Group as a result of the completion of a large project in mid-2016 at Fort Polk and reduced military base budgets. Partially offsetting this decrease were incremental revenues from our Homeowner Services Group from customer additions and price increases.

Operation and maintenance. For the three months ended March 31, 2017, operation and maintenance expense decreased principally due to a:

- $11 million decrease in our Market-Based Businesses attributable to lower capital upgrades in our Military Services Group corresponding with the decrease in operating revenues discussed above, partially offset by higher expenses in our Homeowner Services Group due to higher claims expense.

Depreciation and amortization. For the three months ended March 31, 2017, depreciation and amortization expense increased largely due to additional utility plant placed in service.

Other income (expenses). For the three months ended March 31, 2017, other expenses increased primarily due to an increase in long-term interest expense from the issuance of incremental long-term debt in the fourth quarter of 2016, as well as an increase in short-term interest expense resulting from higher levels of short-term borrowings, coupled with an increase in the average short-term borrowing rates.

Provision for income taxes. For the three months ended March 31, 2017, our provision for income taxes decreased principally due to the tax benefit recorded as a result of the new accounting standard for stock-based compensation.

Segment Results of Operations

Our segments are determined based on how we assess performance and allocate our resources. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being income from continuing operations.

We conduct our business primarily through one reportable segment, our Regulated Businesses segment. We also operate businesses that provide a broad range of related and complementary water and wastewater services, which includes four operating segments that individually do not meet the criteria of a reportable segment. These four non-reportable segments have been combined and are presented as our "Market-Based Businesses", which is consistent with how management assesses the results of our businesses.

Regulated Businesses Segment

The following table summarizes certain financial information for our Regulated Businesses segment:

	For the Three Months Ended March 31,			
	2017	2016	Increase (Decrease)	
(In millions)				%
Operating revenues	$ 659	$ 634	$ 25	3.9
Operation and maintenance	262	262	—	—
Total operating expenses, net	441	430	11	2.6
Net income attributable to common stockholders	94	87	7	8.0

Operating revenues. The following tables and discussions provide explanation of the variances related to the three components of operating revenues—water services revenues, wastewater services revenues and other revenues:

	For the Three Months Ended March 31,			
	2017	2016	Increase (Decrease)	
(In millions)				%
Billed water services:				
Residential	$ 364	$ 348	$ 16	4.6
Commercial	129	125	4	3.2
Industrial	32	30	2	6.7
Public and other	81	76	5	6.6
Other water revenues	15	11	4	36.4
Billed water services	621	590	31	5.3
Unbilled water services	(7)	5	(12)	(240.0)
Total water services revenues	614	595	19	3.2
Wastewater services revenues	34	27	7	25.9
Other revenues	11	12	(1)	(8.3)
Total operating revenues	$ 659	$ 634	$ 25	3.9

	For the Three Months Ended March 31,			
	2017	2016	Increase (Decrease)	
(In millions)				%
Billed water services volumes:				
Residential	35,985	36,409	(424)	(1.2)
Commercial	17,063	17,416	(353)	(2.0)
Industrial	8,878	8,640	238	2.8
Public and other	11,493	10,968	525	4.8
Billed water services volumes	73,419	73,433	(14)	(0.0)

For the three months ended March 31, 2017, operating revenues increased primarily due to a:

- $25 million increase from authorized rate increases, including infrastructure surcharges, to fund infrastructure investment growth in various states;
- $8 million increase resulting from water and wastewater acquisitions as well as organic growth in existing systems; and
- $7 million decrease in demand and consumption when compared to the same period in 2016.

Operation and maintenance. The following table summarizes information regarding the components of operation and maintenance expense:

	For the Three Months Ended March 31,			
	2017	2016	Increase (Decrease)	
(In millions)				%
Production costs	$ 63	$ 63	$ —	—
Employee-related costs	111	109	2	1.8
Operating supplies and services	48	50	(2)	(4.0)
Maintenance materials and supplies	18	15	3	20.0
Customer billing and accounting	10	14	(4)	(28.6)
Other	12	11	1	9.1
Total	$ 262	$ 262	$ —	—

For the three months ended March 31, 2017, operation and maintenance expense was flat when compared to the same period in 2016. Variances related to individual components of operation and maintenance expense include a:

- $4 million decrease in customer billing and accounting due to a reduction in uncollectible expense primarily attributable to focused collection efforts; and
- $3 million increase in maintenance materials and supplies primarily due to increased tank painting costs, as well as the timing of specific maintenance activity in 2017 as compared to the same period in 2016;

Operating expenses, net. For the three months ended March 31, 2017, operating expenses, net increased primarily due to higher depreciation and amortization expense and general taxes expense of $9 million and $3 million, respectively. The increase in depreciation and amortization expense was driven by additional utility plant placed in service. The increase in general taxes is primarily due to higher gross receipts tax in New Jersey and higher property taxes in 2017 driven by investment growth.

Market-Based Businesses

The following table summarizes certain financial information for our Market-Based Businesses:

	For the Three Months Ended March 31,			
	2017	2016	Increase (Decrease)	
(In millions)				%
Operating revenues	$ 103	$ 114	$ (11)	(9.6)
Operation and maintenance	88	99	(11)	(11.1)
Total operating expenses, net	94	104	(10)	(9.6)
Net income attributable to common stockholders	7	6	1	16.7

Operating revenues. For the three months ended March 31, 2017, operating revenues decreased primarily due to a:

- $18 million decrease in our Military Services Group resulting from lower capital upgrades in 2017 compared to 2016 primarily attributable to reduced military base infrastructure budgets and the completion of a large project at Fort Polk in mid-2016; partially offset by a
- $5 million increase in our Homeowner Services Group primarily due to customer additions and price increases for certain existing customers.

Operation and maintenance. The following table summarizes information regarding the components of operation and maintenance expense:

	For the Three Months Ended March 31,			
	2017	2016	Increase (Decrease)	
(In millions)				%
Production costs	$ 10	$ 9	$ 1	11.1
Employee-related costs	24	24	-	-
Operating supplies and services	30	47	(17)	(36.2)
Maintenance materials and supplies	21	16	5	31.3
Other	3	3	—	—
Total	$ 88	$ 99	$ (11)	(11.1)

For the three months ended March 31, 2017, operation and maintenance expense decreased primarily due to a:

- $16 million decrease in operating supplies and services resulting from lower capital upgrades in our Military Services Group, as discussed above, and focused cost management in Keystone; partially offset by a
- $5 million increase in maintenance services and supplies due principally to contract growth and incremental claims activity in our Homeowner Services Group.

Liquidity and Capital Resources

For a general overview of our sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources contained in our Form 10-K.

We fund liquidity needs for capital investment, working capital and other financial commitments through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowing under the American Water Capital Corp. ("AWCC") revolving credit facility. The revolving credit facility provides $1.75 billion in aggregate total commitments from a diversified group of financial institutions with an expiration date of June 2020 (subject to extension by us for up to two one-year periods). We regularly evaluate the capital markets and closely monitor the financial condition of the financial institutions with contractual commitments in our revolving credit facility.

In order to meet our short-term liquidity needs, we, through AWCC, our wholly owned financing subsidiary, issue commercial paper, which is supported by our revolving credit facility. As of March 31, 2017, AWCC had no outstanding borrowings and $86 million of outstanding letters of credit under the revolving credit facility, with $1.66 billion available to fulfill our short-term liquidity needs and to issue letters of credit. As of March 31, 2017, the revolving credit facility supported $980 million in outstanding commercial paper. We believe that our ability to access the capital markets, our revolving credit facility and our cash flows from operations will generate sufficient cash to fund our short-term requirements. However, we can provide no assurances that the lenders will meet their existing commitments to AWCC under the credit facility or that we will be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all.

On February 8, 2017, we entered into a forward swap agreement with a notional amount of $100 million to reduce interest rate exposure for a portion of the expected refinancing of our 5.62% fixed-rate long-term debt maturing in December 2018. This forward starting swap agreement terminates in November 2018 and has a fixed rate of 2.67%. During the three months ended March 31, 2017, the fair value of our five forward starting swaps increased by $5 million due to higher forward interest rates. Changes in the fair value of the forward starting swaps will be recognized in accumulated other comprehensive loss until the agreements terminate. See Note 5—Long-Term Debt for further information.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the third quarter of each fiscal year. The following table provides a summary of the major items affecting cash flows provided by our operating activities:

	For the Three Months Ended March 31,	
	2017	2016
(In millions)		
Net income	$ 93	$ 82
Add (less):		
Non-cash activities (a)	189	177
Changes in working capital (b)	6	15
Pension and postretirement healthcare contributions	(11)	(14)
Net cash flows provided by operations	$ 277	$ 260

(a) Includes depreciation and amortization, deferred income taxes and amortization of deferred investment tax credits, provision for losses on accounts receivable, gain on asset dispositions and purchases, pension and non-pension postretirement benefits expense and other non-cash, net. Details of each component can be found in the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net.

For the three months ended March 31, 2017, the increase in cash flows from operating activities, as compared to the same period in 2016, is primarily due to an increase in net income after non-cash adjustments. The main factors contributing to net income increase are described in this section under “Comparison of Consolidated Results of Operations” and included higher operating revenue and lower operation and maintenance expense. The increase in non-cash activities was mainly the result of an increase in depreciation and amortization attributable to infrastructure investment projects placed into service. The change in working capital was primarily the result of the following: (1) timing of accounts payable and accrued liabilities; and (2) change in other current assets and liabilities.

Cash Flows Used in Investing Activities

The following table provides information regarding cash flows used in our investing activities:

	For the Three Months Ended March 31,	
	2017	2016
(In millions)		
Net capital expenditures	$ (270)	$ (284)
Acquisitions	(2)	(22)
Other investing activities, net (a)	(16)	(17)
Net cash flows used in investing activities	$ (288)	$ (323)

(a) Includes removal costs from property, plant and equipment retirements, net, proceeds from sale of assets and net funds restricted.

For the three months ended March 31, 2017, cash used in investing activities decreased primarily due to the timing of payments for the capital expenditures and acquisitions. We continue to expect investments of approximately $1.5 billion in 2017 for capital expenditures and acquisitions. We have also begun the construction of our new corporate headquarters building in Camden, New Jersey. The cost of construction is currently estimated to be up to $165 million, exclusive of any tax incentives, with $77 million expected to be incurred in 2017.

Cash Flows Provided by Financing Activities

The following table provides information regarding cash flows provided by our financing activities:

	For the Three Months Ended March 31,	
	2017	2016
(In millions)		
Repayments of long-term debt	$ (4)	$ (11)
Net proceeds from short-term borrowings	131	211
Dividends paid	(67)	(61)
Anti-dilutive stock repurchases	(54)	(62)
Other financing activities, net (a)	8	7
Net cash flows provided by financing activities	$ 14	$ 84

(a) Includes proceeds from issuance of common stock under various employee stock plans and our dividend reinvestment plan, advances and contributions for construction, net of refunds and debt issuance costs.

For the three months ended March 31, 2017, the decrease in cash flows provided by financing activities, as compared to the same period in 2016, is primarily due to incremental short-term borrowings in 2016 to fund a portion of the capital expenditures and acquisitions.

Credit Facilities and Short-Term Debt

The following table summarizes information regarding our aggregate credit facility commitments, letter of credit sub-limits and available funds under those revolving credit facilities, as well as outstanding amounts of commercial paper and outstanding borrowings under the respective facilities as of March 31, 2017:

	Credit Facility Commitments (a)	Available Credit Facility Capacity (a)	Letter of Credit Sublimit	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
(In millions)						
March 31, 2017	$ 1,766	$ 1,673	$ 150	$ 64	$ 1,600	$ 620

(a) Includes amounts related to the revolving credit facility of Keystone Clearwater Solutions, LLC (“Keystone”), our water management solutions subsidiary. As of March 31, 2017, the total commitment under the Keystone revolving credit facility was $16 million, of which $9 million was available for borrowing, subject to compliance with a collateral base calculation.

The weighted-average interest rate on AWCC short-term borrowings for the three months ended March 31, 2017 and 2016 was approximately 1.02% and 0.74%, respectively.

Capital Structure

The following table indicates the percentage of our capitalization represented by the components of our capital structure as of the dates set forth below:

	March 31, 2017	December 31, 2016
Total common stockholders' equity	42.0%	42.1%
Long-term debt and redeemable preferred stock at redemption value	45.7%	46.4%
Short-term debt and current portion of long-term debt	12.3%	11.5%
	100%	100%

Debt Covenants

Our debt agreements contain financial and non-financial covenants. To the extent that we are not in compliance with these covenants, an event of default may occur under one or more debt agreements and we or our subsidiaries may be restricted in our ability to pay dividends, issue new debt or access our revolving credit facility. Our long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company’s assets, subject to certain exceptions. Our failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require us to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On March 31, 2017, our ratio was 0.58 to 1.00 and therefore we were in compliance with the covenants.

Security Ratings

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

Our long-term and short-term credit ratings as of March 31, 2017 are as follows:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Senior unsecured debt	A3	A
Commercial paper	P2	A-1

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

Dividends

On March 1, 2017, we paid a cash dividend of $0.375 per share to our stockholders of record as of February 7, 2017.

On April 21, 2017, our Board of Directors declared a quarterly cash dividend payment of $0.415 per share payable on June 1, 2017 to stockholders of record as of May 5, 2017. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends in our Form 10-K for more information regarding restrictions on the payment of dividends on our common stock.

Application of Critical Accounting Policies and Estimates

Our financial condition, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in our Form 10-K for a discussion of our critical accounting policies.

Recent Accounting Standards

See Note 2—New Accounting Standards to the Notes to Consolidated Financial Statements included in Part I, Item 1—Consolidated Financial Statements of this Quarterly Report on Form 10-Q for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. For a discussion of our exposure to market risk, refer to Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk contained in our Form 10-K. Except as described below, there have been no significant changes to our exposure to market risk since December 31, 2016.

On February 8, 2017, we entered into a forward starting swap agreement with a notional amount of $100 million to reduce interest rate exposure on debt expected to be issued in 2018. This forward starting swap agreement terminates in November 2018 and

has an average fixed rate of 2.67%. A hypothetical one hundred basis point change in the forward starting swap rates would have resulted in a $19 million increase or decrease in fair value for the three months ended March 31, 2017.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Our management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2017.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2017, our disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

We concluded that there have been no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in our Form 10-K in Part I, Item 3—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in our Form 10-K.

Alternative Water Supply in Lieu of Carmel River Diversions

Regional Desalination Project Litigation

On January 5, 2017, the parties to the consolidated action in San Francisco County Superior Court associated with the failure of the RDP participated in a CPUC-sponsored mediation that was unsuccessful in resolving the claims among them. On February 10, 2017, the Superior Court heard oral argument on the parties' demurrers to certain of the claims raised in this litigation. On February 14, 2017, the court issued an order sustaining in part and overruling in part the demurrers. On March 1, 2017, the parties to this litigation, other than RMC, filed amended pleadings and a schedule for filing additional motions has been set.

California Public Utilities Commission Residential Rate Design Proceeding

In December 2016, the California Public Utilities Commission (the "CPUC") issued a final decision in a proceeding involving California-American Water Company, the Company's wholly owned subsidiary ("Cal Am"), adopting a new residential rate design for Cal Am's Monterey District. The decision allowed for recovery by Cal Am of $32 million in under-collections in the water revenue adjustment mechanism/modified cost balancing account (the "WRAM/MCBA") over a five-year period, plus interest, and modified existing conservation and rationing plans. In its decision, the CPUC noted concern regarding Cal Am's residential tariff administration, specifically regarding the lack of verification of customer-provided information about the number of residents per household. This information was used for generating billing determinants under the tiered rate system. As a result, the CPUC kept this proceeding open to address several issues, including whether Cal Am's residential tariff administration violated a statute, rule or CPUC decision, and if so, whether a penalty should be imposed.

On February 24, 2017, Cal Am, the Monterey Peninsula Water Management District, the CPUC's Office of Ratepayer Advocates, and the Coalition of Peninsula Businesses filed for CPUC approval of a joint settlement agreement (the "Joint Settlement Agreement"), which among other things, proposed to resolve the CPUC's residential tariff administration concerns by providing for a waiver by Cal Am of $0.5 million of cost recovery for residential customers through the WRAM/MCBA in lieu of a penalty. Approval of the Joint Settlement Agreement, which is required for it to take effect, remains pending before the CPUC.

On March 28, 2017, the administrative law judge assigned to the proceeding issued a ruling stating there was sufficient evidence to conclude, on a preliminary basis, that Cal Am's administration of the residential tariff violated certain provisions of the California Public Utilities Code and a CPUC decision. The ruling ordered Cal Am to show cause why it should not be penalized for these administrative violations and directed the settling parties to address whether the cost recovery waiver in the Joint Settlement Agreement was reasonable compared to a potential penalty range described by the administrative law judge. During hearings held on April 13-14, 2017, the administrative law judge clarified that this potential penalty range is $3.1 million to $178.9 million (calculated as a continuing violation dating back to 2000 and applying penalties of up to $20,000 per day until January 1, 2012 and penalties of up to $50,000 per day thereafter, reflecting a 2012 change to the relevant statute). The administrative law judge also noted that a per diem penalty may not be appropriate, as Cal Am's monthly billing practices did not allow Cal Am to update customer-provided information for billing purposes on a daily basis. The administrative law judge has set further hearings in this proceeding for August 17, 2017, and has permitted certain of the parties, including Cal Am, to submit additional written testimony on the issue of whether Cal Am should be penalized, and if so, the reasonable amount of any such penalty.

Cal Am believes that the terms of the Joint Settlement Agreement are fair and reasonable, that its residential tariff administration is compliant with California Public Utilities Code and it is able to assert credible defenses against the CPUC's allegations of wrongdoing and the associated penalties. Cal Am intends to vigorously defend itself in this proceeding against these allegations and the imposition of penalties; however, the ultimate outcome of this matter cannot be determined at this time.

West Virginia Elk River Freedom Industries Chemical Spill

Background

On July 7, 2016, the court in the Federal action scheduled trial to begin on October 25, 2016, but the court has granted several continuances of the trial, which is currently postponed until June 6, 2017 and remains subject to further delay in light of the proposed settlement agreement discussed below. The Mass Litigation Panel has also stayed its proceedings until July 26, 2017.

WVAWC Binding Global Agreement in Principle to Settle Claims

On April 27, 2017, the parties filed with the court in the Federal action a proposed settlement agreement providing details of the terms of the Settlement consistent with those described above. The parties also requested that the court in the Federal action grant preliminary approval of the Settlement. If and when preliminary approval of the Settlement is obtained, notice of the terms of the Settlement would then be provided to members of the settlement class. Following the notice period, the court in the Federal action would hold a fairness hearing to consider final approval of the Settlement.

Other Related Proceedings

On April 4, 2017, the CSB indicated that the implementation by the Company of source water protection activities resolved the first two parts of the CSB's recommendation. The CSB also noted that compliance by the Company with the third part of its recommendation is ongoing and that closure of this part is contingent upon completion of updated contingency planning for the Company's water utilities outside of West Virginia.

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the "public nuisance" it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a complaint in Lincoln County state court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public nuisance in Lincoln County. The complaint seeks an injunction against WVAWC that would require the creation of various databases and public repositories of documents related to this chemical spill, as well as further study and risk assessments regarding the alleged exposure by Lincoln County residents to the released chemicals. WVAWC believes that the lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in our Form 10-K, and in our other public filings, which could materially affect our business, financial condition or future results. There have been no material changes from risk factors previously disclosed in Part I, Item 1A—Risk Factors in our Form 10-K.

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

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The following table provides a summary of information about the shares of common stock purchased by the Company during the three months ended March 31, 2017:

	Total Number of Shares Purchased	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares Available to be Purchased Under the Plan or Program
January 1 - January 31, 2017	—	—	—	6,750,000
February 1 - February 28, 2017	—	—	—	6,750,000
March 1 - March 31, 2017	700,000	$ 77.44	700,000	6,050,000
Total	700,000	$ 77.44	700,000	

(a) Average price paid per share includes brokerage fees and commissions incurred by the Company in connection with these repurchases.

(b) From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through March 31, 2017, the Company repurchased an aggregate of 3,950,000 shares of common stock under the program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
*10.1.1	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant.
*10.1.2	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (for certain executives).
*10.2.1	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1.
*10.2.2	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-2.
*10.2.3	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1.
*10.2.4	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-2.
*31.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
*101	The following financial statements from American Water Works Company, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, filed with the Securities and Exchange Commission on May 3, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Stockholders' Equity; and (vi) the Notes to Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 3rd day of May, 2017.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

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* Filed herewith.
** Furnished herewith.

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Section 2: EX-10.1.1 (EX-10.1.1)

Exhibit 10.1.1

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

This RESTRICTED STOCK UNIT GRANT, dated as of February 14, 2017 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par

value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2017 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

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

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

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

3. Vesting.

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

Service Date	Units Vesting
January 1, 2018	1/3
January 1, 2019	1/3
January 1, 2020	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 1, 2020, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraph (c) below, if at any time prior to January 1, 2020, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If at any time prior to January 1, 2020, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). For purposes of this Agreement, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earlier of the (i) applicable Service Date or (ii) the Change of Control Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days

following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single sum distribution of such shares of Company Stock, which shall be issued under the Plan.

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

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

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

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant

is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

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

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

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted) and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

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

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

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

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, such notices may be delivered by e-mail if the Participant has consented to the electronic delivery of such notices by e-mail and has provided the Company with an e-mail address; provided that any notice must be made by the Company through another means permitted above if any attempted notice provided by e-mail is returned as undeliverable.

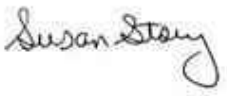
19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute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

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

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

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Section 3: EX-10.1.2 (EX-10.1.2)

Exhibit 10.1.2

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

This RESTRICTED STOCK UNIT GRANT, dated as of February 14, 2017 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2017 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

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

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

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

Participant.

3. Vesting.

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

Service Date	Units Vesting
January 1, 2018	1/3
January 1, 2019	1/3
January 1, 2020	1/3

(b) The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 1, 2020, if the Participant is employed by, or providing service to, the Employer on such date.

(c) Subject to subparagraph (d) below, if at any time prior to January 1, 2020, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(d) If, on or after January 1, 2018, but prior to January 1, 2020, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Participant's termination of employment or service on account of Normal Retirement. For purposes of this Grant, the term (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty-two (62) and five (5) total years of employment or service with the Employer and (ii) "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(e) If at any time prior to January 1, 2020, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, then the portion

of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). For purposes of this Agreement, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earlier of the (i) applicable Service Date or (ii) the Change of Control Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single sum distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraph 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

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

will be the Change of Control Date. If a Redemption Date is delayed one or more times pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

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

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

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

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

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

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted) and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

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

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

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

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, such notices may be delivered by e-mail if the Participant has consented to the electronic delivery of such notices by e-mail and has provided the Company with an e-mail address; provided that any notice must be made by the Company through another means permitted above if any attempted notice provided by e-mail is returned as undeliverable.

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

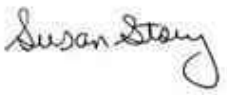
20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

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Section 4: EX-10.2.1 (EX-10.2.1)

Exhibit 10.2.1

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

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2017, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2017 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the performance goal relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

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

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance

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

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

3. Performance Goal.

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

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

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

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

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2016, and December 31, 2019, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. Dividend adjusted stock prices shall be obtained from Bloomberg. The dividend adjusted price obtained from Bloomberg provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

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

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

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Section 3(f) below), the Committee will determine whether and to what extent the performance goal has been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

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

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2017 and ending December 31, 2019, and the term "Peer Group" shall mean those companies included in Exhibit A as of January 1, 2017. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) If, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2018, but prior to January 1, 2019; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2020. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 1, 2018 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earlier of (a) January 1, 2020 (the "Distribution Date"), or (b) the Change of Control Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the performance goal and service condition will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2017 LTPP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this

Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

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

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, such notices may be delivered by e-mail if the Participant has consented to the electronic delivery of such notices by e-mail and has provided the Company with an e-mail address; provided that any notice must be made by the Company through another means permitted above if any attempted notice provided by e-mail is returned as undeliverable.

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

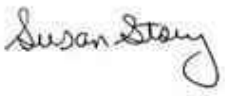
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. Avista Corporation
5. CMS Energy Corporation
6. Eversource Energy
7. Great Plains Energy, Inc.
8. NiSource, Inc.
9. Pinnacle West Capital Corporation
10. PNM Resources, Inc.
11. SCANA Corporation
12. UGI Corporation
13. Vectren Corporation
14. WGL Holdings, Inc.
15. Wisconsin Energy Corporation

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Section 5: EX-10.2.2 (EX-10.2.2)

Exhibit 10.2.2

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

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2017, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2017 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the performance goal relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

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

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

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

3. Performance Goal.

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

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

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

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

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2016, and December 31, 2019, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. Dividend adjusted stock prices shall be obtained from Bloomberg. The dividend adjusted price obtained from Bloomberg provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

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

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

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Section 3 (f) below), the Committee will determine whether and to what extent the performance goal has been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

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

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2017 and ending December 31, 2019, and the term "Peer Group" shall mean those companies included in Exhibit A as of January 1, 2017. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) If, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2018, but prior to January 1, 2019; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2020. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, the Participant will earn the number of Performance Units that would have been earned

if the Participant had remained employed through the last day of the Performance Period, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the performance goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty-two (62) and five (5) total years of employment or service with the Employer.

(c) If at any time prior to the earlier of January 1, 2018 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earlier of (a) January 1, 2020 (the "Distribution Date"), or (b) the Change of Control Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the performance goal and service condition will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date

of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2017 LTPP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the

listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the

Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, such notices may be delivered by e-mail if the Participant has consented to the electronic delivery of such notices by e-mail and has provided the Company with an e-mail address; provided that any notice must be made by the Company through another means permitted above if any attempted notice provided by e-mail is returned as undeliverable.

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

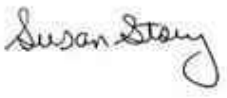
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. Avista Corporation
5. CMS Energy Corporation
6. Eversource Energy
7. Great Plains Energy, Inc.
8. NiSource, Inc.
9. Pinnacle West Capital Corporation
10. PNM Resources, Inc.
11. SCANA Corporation
12. UGI Corporation
13. Vectren Corporation
14. WGL Holdings, Inc.
15. Wisconsin Energy Corporation

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Section 6: EX-10.2.3 (EX-10.2.3)

Exhibit 10.2.3

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

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2017 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2017 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on performance goals relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

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

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

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3.Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Section 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2017 and ending December 31, 2019.

4.Termination of Employment or Service.

(a) If, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2018, but prior to January 1, 2019; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2020. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 1, 2018 or a Change of Control, the

Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earlier of (a) January 1, 2020 (the "Distribution Date"), or (b) the Change of Control Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2017 LTPP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this

Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend, equivalents will be the Change of Control Date. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected) or the Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant a lump sum cash payment equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 015 (and as they may be amended, restated, supplemented and interpreted) and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except as provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with

respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

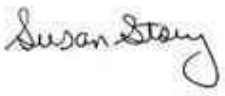
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOAL

To satisfy the provisions under 162m, a "plan within a plan" approach, using a threshold goal of positive net income, on a GAAP basis over the period 1/1/2017 to 12/31/2019, to fund the payout pool.

Once threshold performance has been achieved, the LTPP pool funds up to the 200% maximum allowed per participant under the "inside" plan, as outlined below. Negative discretion may be applied by the Committee based on the performance of the "inside" plan criteria

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle. The starting point for the calculation will be adjusted EPS of $2.84 for the year ended December 31, 2016. The ending point for the calculation will be EPS for the year ended December 31, 2019, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle.

As soon as administratively practicable following the end of the Performance Period, the Committee will certify the level of achievement of the Compounded EPS Growth.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded Growth	Target Award
12.0% or more	200%
10.0%	175%
7.8%	100%
6.0%	25%
<= 5.99%	0%

If actual achievement of the Performance Goal do not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2016 Adjusted	12/31/2019 Illustration
Adjusted diluted earnings per share from continuing operations	$ 2.84	$ 3.06
Compounded annual growth rate		**8.06%**

Earned Performance Units

	Achievement	Award	Weighting	Weighted Payout
Compounded Earnings Per Share Growth	8.06%	109.4%	100%	109.4%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,094 Performance Units (1,000 x 1.094), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

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Section 7: EX-10.2.4 (EX-10.2.4)

Exhibit 10.2.4

AMERICAN WATER WORKS COMPANY, INC.
2007 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2017 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2017 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on performance goals relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals (as defined below) and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one

share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Section 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2017 and ending December 31, 2019.

4. Termination of Employment or Service.

(a) If, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2018, but prior to January 1, 2019; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2020. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty-two (62) and five (5) total years of employment or service with the Employer.

(c) If at any time prior to the earlier of January 1, 2018 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(d) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earlier of (a) January 1, 2020 (the "Distribution Date"), or (b) the Change of Control Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in

Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2017 LTPP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected) or the Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant a lump sum cash payment equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares of Company Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of shares of Company Stock, the shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted) and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not

limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except as provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

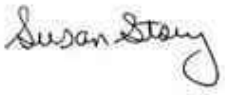
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOAL

To satisfy the provisions under 162m, a "plan within a plan" approach, using a threshold goal of positive net income, on a GAAP basis over the period 1/1/2017 to 12/31/2019, to fund the payout pool.

Once threshold performance has been achieved, the LTPP pool funds up to the 200% maximum allowed per participant under the "inside" plan, as outlined below. Negative discretion may be applied by the Committee based on the performance of the "inside" plan criteria

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle. The starting point for the calculation will be adjusted EPS of $2.84 for the year ended December 31, 2016. The ending point for the calculation will be EPS for the year ended December 31, 2019, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle.

As soon as administratively practicable following the end of the Performance Period, the Committee will certify the level of achievement of the Compounded EPS Growth.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded Growth	Target Award
12.0% or more	200%
10.0%	175%
7.8%	100%
6.0%	25%
<= 5.99%	0%

If actual achievement of the Performance Goal do not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2016 Adjusted	12/31/2019 Illustration
Adjusted diluted earnings per share from continuing operations	$ 2.84	$ 3.06
Compounded annual growth rate		**8.06%**

Earned Performance Units

	Achievement	Award	Weighting	Weighted Payout
Compounded Earnings Per Share Growth	8.06%	109.4%	100%	109.4%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,094 Performance Units (1,000 x 1.094), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

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Section 8: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Susan N. Story, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2017

By: /s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

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Section 9: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Linda G. Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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Section 10: EX-32.1 (EX-32.1)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan N. Story, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

May 3, 2017

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Section 11: EX-32.2 (EX-32.2)

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Linda G. Sullivan, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

May 3, 2017

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Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1025 Laurel Oak Road, Voorhees, NJ	**08043**
(Address of principal executive offices)	**(Zip Code)**

(856) 346-8200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of

this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
	(Do not check if a smaller reporting company)	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 26, 2017
Common Stock, $0.01 par value per share	**178,375,400 shares (excludes 4,064,010 treasury shares as of October 26, 2017)**

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FORWARD-LOOKING STATEMENTS

We have made statements in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Quarterly Report on Form 10-Q ("Form 10-Q"), that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things, our future financial performance, including our adjusted operation and maintenance ("O&M") efficiency ratio, cash flows, our growth and portfolio optimization strategies, our projected capital expenditures and related funding requirements, our ability to repay debt, our projected strategy to finance current operations and growth initiatives, the impact of legal proceedings and potential fines and penalties, business process and technology improvement initiatives, trends in our industry, regulatory, legislative, political, tax policy or legal developments or rate adjustments, including rate case filings, filings for infrastructure surcharges and filings to address regulatory lag.

Forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results or levels of activity, performance or achievements, and you are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Our actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower rates;
- the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts;
- changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections;
- weather conditions and events, climate change patterns, and natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares;
- the outcome of litigation and similar government actions, including matters related to the Freedom Industries chemical spill in West Virginia and the preliminarily approved global class action settlement agreement related to this chemical spill;
- our ability to appropriately maintain current infrastructure, including our operational and information technology ("IT") systems, and manage the expansion of our business;
- exposure or infiltration of our critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber attacks or other disruptions;
- our ability to obtain permits and other approvals for projects;
- changes in our capital requirements;
- our ability to control operating expenses and to achieve efficiencies in our operations;
- the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers;
- our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations;

- our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of our operations;
- our ability to maintain safe work sites;

- our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water management solutions that are focused on customers in the natural gas exploration and production market;
- changes in general economic, political, business and financial market conditions;
- access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- restrictive covenants in or changes to the credit ratings on our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends;
- fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements;
- changes in federal or state general, income and other tax laws, including tax reform, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. and state net operating loss carryforwards;
- migration of customers into or out of our service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn our systems;
- difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions, or an inability to obtain reimbursement under existing insurance programs for any losses sustained;
- the incurrence of impairment charges related to our goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the ability to retain and attract qualified employees;
- civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risk factors and other statements contained in our Annual Report on Form 10-K for the year ended December 31, 2016 (“Form 10-K”), and in this Form 10-Q, and you should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements we make speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission (“SEC”). Except as required by the federal securities laws, we do not have any obligation, and we specifically disclaim any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	September 30, 2017	December 31, 2016
ASSETS		
Property, plant and equipment	$ 20,946	$ 19,954
Accumulated depreciation	(5,265)	(4,962)
Property, plant and equipment, net	15,681	14,992
Current assets:		
Cash and cash equivalents	93	75
Restricted funds	28	20
Accounts receivable, net	312	269
Unbilled revenues	234	263
Materials and supplies	42	39
Other	151	118
Total current assets	860	784
Regulatory and other long-term assets:		
Regulatory assets	1,374	1,289
Goodwill	1,373	1,345
Other	73	72
Total regulatory and other long-term assets	2,820	2,706
TOTAL ASSETS	$ 19,361	$ 18,482

The accompanying notes are an integral part of these consolidated financial statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	September 30, 2017	December 31, 2016
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 182,437,980 and 181,798,555 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,423	6,388
Accumulated deficit	(573)	(873)
Accumulated other comprehensive loss	(87)	(86)
Treasury stock, at cost (4,064,010 and 3,701,867 shares, respectively)	(247)	(213)
Total common stockholders' equity	5,518	5,218
Long-term debt	6,672	5,749
Redeemable preferred stock at redemption value	9	10
Total long-term debt	6,681	5,759
Total capitalization	12,199	10,977
Current liabilities:		
Short-term debt	103	849
Current portion of long-term debt	687	574
Accounts payable	144	154
Accrued liabilities	498	609
Taxes accrued	61	31
Interest accrued	103	63
Other	151	112
Total current liabilities	1,747	2,392
Regulatory and other long-term liabilities:		
Advances for construction	279	300
Deferred income taxes, net	2,862	2,596
Deferred investment tax credits	23	23
Regulatory liabilities	408	403
Accrued pension expense	421	419
Accrued postretirement benefit expense	84	87
Other	74	67
Total regulatory and other long-term liabilities	4,151	3,895
Contributions in aid of construction	1,264	1,218
Commitments and contingencies (see Note 9)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 19,361	$ 18,482

The accompanying notes are an integral part of these consolidated financial statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating revenues	$ 936	$ 930	$ 2,536	$ 2,500
Operating expenses:				
Operation and maintenance	324	432	1,010	1,131
Depreciation and amortization	128	119	378	350
General taxes	61	65	192	195
Gain on asset dispositions and purchases	(7)	(5)	(9)	(8)
Total operating expenses, net	506	611	1,571	1,668
Operating income	430	319	965	832
Other income (expense):				
Interest, net	(89)	(81)	(259)	(242)
Loss on early extinguishment of debt	(6)	—	(6)	—
Other, net	5	5	11	14
Total other income (expense)	(90)	(76)	(254)	(228)
Income before income taxes	340	243	711	604
Provision for income taxes	137	95	284	237
Net income attributable to common stockholders	$ 203	$ 148	$ 427	$ 367
Basic earnings per share: (a)				
Net income attributable to common stockholders	$ 1.14	$ 0.83	$ 2.39	$ 2.06
Diluted earnings per share:				
Net income attributable to common stockholders	$ 1.13	$ 0.83	$ 2.39	$ 2.05
Weighted-average common shares outstanding:				
Basic	178	178	178	178
Diluted	179	178	179	179
Dividends declared per common share	$ 0.415	$ 0.375	$ 0.83	$ 0.75

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these consolidated financial statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(In millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income attributable to common stockholders	$ 203	$ 148	$ 427	$ 367
Other comprehensive income (loss), net of tax:				
Pension amortized to periodic benefit cost:				
Actuarial loss, net of tax of $1 for the three months and $3 for the nine months ended September 30, 2017 and 2016, respectively	1	1	5	4
Foreign currency translation adjustment	—	—	(1)	—
Unrealized loss on cash flow hedges, net of tax of $(3) and $(3) for the three months and $(4) and $(10) for the nine months ended September 30, 2017 and 2016, respectively	(3)	(4)	(5)	(15)
Net other comprehensive income (loss)	(2)	(3)	(1)	(11)
Comprehensive income (loss) attributable to common stockholders	$ 201	$ 145	$ 426	$ 356

The accompanying notes are an integral part of these consolidated financial statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 427	$ 367
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	378	350
Deferred income taxes and amortization of investment tax credits	264	243
Provision for losses on accounts receivable	21	18
Gain on asset dispositions and purchases	(9)	(8)
Pension and non-pension postretirement benefits	44	43
Other non-cash, net	(39)	(48)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(34)	(83)
Pension and non-pension postretirement benefit contributions	(36)	(42)
Accounts payable and accrued liabilities	(22)	184
Other assets and liabilities, net	(8)	(79)
Net cash provided by operating activities	986	945
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(964)	(928)
Acquisitions	(10)	(29)
Proceeds from sale of assets and securities	9	5
Removal costs from property, plant and equipment retirements, net	(51)	(62)
Net funds restricted	(5)	—
Net cash used in investing activities	(1,021)	(1,014)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	1,382	2
Repayments of long-term debt	(334)	(20)
Net short-term borrowings with maturities less than three months	(746)	322
Proceeds from issuances of employee stock plans and DRIP	21	22
Advances and contributions for construction, net of refunds of $16 and $17, respectively	23	16
Debt issuance costs	(13)	(1)
Dividends paid	(215)	(194)
Anti-dilutive stock repurchase	(54)	(65)
Taxes paid related to employee stock plans	(11)	(12)
Net cash provided by financing activities	53	70
Net increase in cash and cash equivalents	18	1
Cash and cash equivalents as of beginning of period	75	45
Cash and cash equivalents as of end of period	$ 93	$ 46
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of end of period	$ 175	$ 182

Acquisition financed by treasury stock	$	33	$	—

The accompanying notes are an integral part of these consolidated financial statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
(In millions)

	Common Stock		Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2016	181.8	$ 2	$6,388	$ (873)	$ (86)	(3.7)	$(213)	$ 5,218
Cumulative effect of change in accounting principle	—	—	—	21	—	—	—	21
Net income attributable to common stockholders	—	—	—	427	—	—	—	427
Direct stock reinvestment and purchase plan	0.1	—	6	—	—	—	—	6
Employee stock purchase plan	—	—	5	—	—	—	—	5
Stock-based compensation activity	0.5	—	18	—	—	(0.1)	(7)	11
Acquisitions via treasury stock	—	—	6	—	—	0.4	27	33
Repurchases of common stock	—	—	—	—	—	(0.7)	(54)	(54)
Net other comprehensive loss	—	—	—	—	(1)	—	—	(1)
Dividends	—	—	—	(148)	—	—	—	(148)
Balance as of September 30, 2017	182.4	$ 2	$6,423	$ (573)	$ (87)	(4.1)	$(247)	$ 5,518

	Common Stock		Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2015	180.9	$ 2	$6,351	$ (1,073)	$ (88)	(2.6)	$(143)	$ 5,049
Net income attributable to common stockholders	—	—	—	367	—	—	—	367
Direct stock reinvestment and purchase plan	—	—	4	—	—	—	—	4
Employee stock purchase plan	—	—	5	—	—	—	—	5
Stock-based compensation activity	0.8	—	28	—	—	(0.1)	(6)	22
Repurchases of common stock	—	—	—	—	—	(1.0)	(65)	(65)
Net other comprehensive loss	—	—	—	—	(11)	—	—	(11)
Dividends	—	—	—	(133)	—	—	—	(133)
Balance as of September 30, 2016	181.7	$ 2	$6,388	$ (839)	$ (99)	(3.7)	$(214)	$ 5,238

The accompanying notes are an integral part of these consolidated financial statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited consolidated financial statements provided in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (collectively, "American Water" or the "Company") in which a controlling interest is maintained after the elimination of intercompany accounts and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of September 30, 2017 and results of operations and cash flows for all periods presented have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The Consolidated Balance Sheet as of December 31, 2016 is derived from the Company's audited consolidated financial statements as of December 31, 2016. The unaudited consolidated financial statements and notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2016 ("Form 10-K") which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, due primarily to the seasonality of the Company's operations.

Note 2: New Accounting Standards

The Company adopted the following accounting standard on January 1, 2017:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Simplification of Employee Share-Based Payment Accounting	Simplified accounting and disclosure requirements for share-based payment awards. The updated guidance addresses simplification in areas such as: (i) the recognition of excess tax benefits and deficiencies; (ii) the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows; (iii) election of an accounting policy for forfeitures; and (iv) the amount an employer can withhold to cover income taxes and still qualify for equity classification.	January 1, 2017	Modified retrospective for the recognition of excess tax benefits and deficiencies; full retrospective for the classification of excess tax benefits and taxes paid on the Consolidated Statements of Cash Flows	The cumulative effect of adoption increased retained earnings by $21, with an offsetting decrease to deferred income taxes, net. Adoption also increased cash flows from operating activities and decreased cash flows from financing activities by $17 and $20 for the nine months ended September 30, 2017 and 2016, respectively, on the Consolidated Statements of Cash Flows.

The following recently issued accounting standards are not yet required to be adopted by the Company as of September 30, 2017:

Standard	Description	Date of Adoption	Permitted Application	Estimated Effect on the Consolidated Financial Statements (or Other Significant Matters)
Revenue from Contracts with Customers	Changes the criteria for recognizing revenue from a contract with a customer. Replaces existing guidance on revenue recognition, including most industry specific guidance. The objective is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows.	January 1, 2018; early adoption permitted	Full or modified retrospective	The Company has substantially completed its evaluation and does not expect a material change. The Company continues to monitor for new interpretative guidance, which could impact the current evaluation. The Company plans to adopt using the modified retrospective method.
Classification of Certain Cash Receipts and Cash Payments on the Statement of Cash Flows	Provides guidance on the presentation and classification in the statement of cash flows for the following cash receipts and payments: (i) debt prepayment or debt extinguishment costs; (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (iii) contingent consideration payments made after a business combination; (iv) proceeds from the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (vi) distributions received from equity method investees; (vii) beneficial interests in securitization transactions and (viii) separately identifiable cash flows and application of the predominance principle.	January 1, 2018; early adoption permitted	Retrospective	The Company will reclassify a $34 make-whole premium payment from operating activities to financing activities on its Consolidated Statements of Cash Flows upon adoption. See Note 6: Long-Term Debt in the Notes to Consolidated Financial Statements for further information regarding this make-whole premium payment.
Presentation of Changes in Restricted Cash on the Statement of Cash Flows	Updates the accounting and disclosure guidance for the classification and presentation of changes in restricted cash on the statements of cash flows. The amended guidance requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents and amounts described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will now be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.	January 1, 2018; early adoption permitted	Retrospective	The Company does not anticipate significant impacts on its Consolidated Statements of Cash Flows.
Clarifying the Definition of a Business	Updates the accounting guidance to clarify the definition of a business with the objective of assisting entities with evaluating whether transactions should be accounted for as acquisitions, or disposals, of assets or businesses.	January 1, 2018; early adoption permitted	Prospective	The update could result in more acquisitions being accounted for as asset acquisitions. The effect on the Company's consolidated financial statements will be dependent on the acquisitions that close subsequent to adoption.
Gains and Losses from the Derecognition of Nonfinancial Assets	Updated the guidance to clarify the accounting for gains and losses resulting from the derecognition of nonfinancial assets and partial sale of nonfinancial assets. The guidance also clarifies the definition of an in-substance nonfinancial asset.	January 1, 2018; early adoption permitted	Full or modified retrospective	The Company does not expect the adoption to have a material impact on its consolidated financial statements. The Company plans to adopt using the modified retrospective method.

Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	Updated authoritative guidance requires the service cost component of net periodic benefit cost to be presented in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. The remaining components of net periodic benefit cost are required to be presented separately from the service cost component in an income statement line item outside of operating income. Also, the guidance only allows for the service cost component to be eligible for capitalization. The updated guidance does not impact the accounting for net periodic benefit costs as regulatory assets or liabilities.	January 1, 2018; early adoption permitted	Retrospective for the presentation of net periodic benefit cost components in the income statement; prospective for the capitalization of net periodic benefit costs components in total assets	The Company will reclassify net periodic benefit cost components, other than the service cost component, to other, net in the Consolidated Statements of Operations. The Company will continue to capitalize and will record net periodic benefit costs probable of recovery from customers as a regulatory asset or liability, other than the service cost components.
Accounting for Leases	Updated the accounting and disclosure guidance for leasing arrangements. Under this guidance, a lessee will be required to recognize the following for all leases, excluding short-term leases, at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the guidance, lessor accounting is largely unchanged.	January 1, 2019; early adoption permitted	Modified retrospective	The Company is evaluating the effect on its consolidated financial statements.

Standard	Description	Date of Adoption	Permitted Application	Estimated Effect on the Consolidated Financial Statements (or Other Significant Matters)
Accounting for Hedging Activities	Updated the accounting and disclosure guidance for hedging activities, which allows for more financial and nonfinancial hedging strategies to be eligible for hedge accounting. Under this guidance, a qualitative effectiveness assessment is permitted for certain hedges if an entity can reasonably support an expectation of high effectiveness throughout the term of the hedge, provided that an initial quantitative test establishes that the hedge relationship is highly effective. Also, for cash flow hedges determined to be highly effective, all changes in the fair value of the hedging instrument will be recorded in other comprehensive income with a subsequent reclassification to earnings when the hedged item impacts earnings.	January 1, 2019; early adoption permitted	Modified retrospective for adjustments related to the measurement of ineffectiveness for cash flow hedges; prospective for the updated presentation and disclosure requirements	The Company does not expect the adoption to have a material impact on its consolidated financial statements based on the hedges held as of the balance sheet date. The Company is evaluating the timing of adoption.
Simplification of Goodwill Impairment Testing	Updated authoritative guidance which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in the update, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying value exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	January 1, 2020; early adoption permitted	Prospective	The Company is evaluating the impact on its consolidated financial statements, as well as the timing of adoption.
Measurement of Credit Losses	Updated the accounting guidance on reporting credit losses for financial assets held at amortized cost basis and available-for-sale debt securities. Under this guidance, expected credit losses are required to be measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount of financial assets. Also, this guidance requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down.	January 1, 2020; early adoption permitted	Modified retrospective	The Company is evaluating the impact on its consolidated financial statements, as well as the timing of adoption.

Note 3: Acquisitions

During the nine months ended September 30, 2017, the Company closed on 14 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $43. Included in this total was the Company's acquisition of all the outstanding capital stock of the Shorelands Water Company, Inc. on April 3, 2017, for total consideration of $33, in the form of approximately 0.4 shares of the Company's common stock. Assets acquired in the aforementioned acquisitions, principally utility plant, totaled $40. Liabilities assumed totaled $23, including $10 of contributions in aid of construction and assumed debt of $7. The Company recorded additional goodwill of $28 associated with three of the acquisitions, which is reported in the Company's Regulated Businesses segment, and recognized a bargain purchase gain of $2 associated with one of the acquisitions. The preliminary purchase price allocations related to these acquisitions will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

During the first quarter of 2017, the Company made a non-escrowed deposit of $2 related to the asset purchase agreement to acquire substantially all of the wastewater collection and treatment system assets of the Municipal Authority of the City of McKeesport, Pennsylvania for approximately $159. On October 26, 2017, a joint petition for settlement of this acquisition was approved by the Pennsylvania Public Utility Commission. The closing of this acquisition is subject to the satisfaction of various conditions and covenants. The Company expects to close this acquisition by the end of 2017.

Note 4: Stockholders' Equity

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2017 and 2016, respectively:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Foreign Currency Translation	Gain (Loss) on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Beginning balance as of December 31, 2016	$ (147)	$ 1	$ 42	$ 2	$ 16	$ (86)
Other comprehensive loss before reclassifications	—	—	—	(1)	(5)	(6)
Amounts reclassified from accumulated other comprehensive loss	—	—	5	—	—	5
Net other comprehensive income (loss)	—	—	5	(1)	(5)	(1)
Ending balance as of September 30, 2017	$ (147)	$ 1	$ 47	$ 1	$ 11	$ (87)
Beginning balance as of December 31, 2015	$ (126)	$ 1	$ 36	$ 2	$ (1)	$ (88)
Other comprehensive loss before reclassifications	—	—	—	—	(15)	(15)
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	—	4
Net other comprehensive income (loss)	—	—	4	—	(15)	(11)
Ending balance as of September 30, 2016	$ (126)	$ 1	$ 40	$ 2	$ (16)	$ (99)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been capitalized as a regulatory asset. These accumulated other comprehensive income loss components are included in the computation of net periodic pension cost. See Note 8— Pension and Other Postretirement Benefits.

The amortization of the loss on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Anti-dilutive Stock Repurchase Program

During the nine months ended September 30, 2017, the Company repurchased 0.7 shares of common stock in the open market at an aggregate cost of $54 under the anti-dilutive stock repurchase program authorized by the Company's Board of Directors in 2015. As of September 30, 2017, there were 6.1 shares of common stock available for repurchase under the program.

Note 5: Stock Based Compensation

On May 12, 2017, the Company's stockholders approved the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"). A total of 7.2 shares of common stock may be issued

under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents, which may be granted only on stock units or other stock-based awards.

Note 6: Long-Term Debt

The following long-term debt was issued during the nine months ended September 30, 2017:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp. (a)	Senior Notes	2.95%-3.75%	2027-2047	$ 1,350
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-3.92%	2020-2036	21
Other American Water subsidiaries	Term Loan	4.48%-4.98%	2021	11
Total issuances				$ 1,382

(a) American Water Capital Corp. ("AWCC"), which is a wholly owned subsidiary of the Company, has a support agreement with the Company that, under certain circumstances, is the functional equivalent of a parent company guarantee. This indebtedness is considered "debt" for purposes of this support agreement.

The following long-term debt was retired through sinking fund provisions, optional redemptions or payment at maturity during the nine months ended September 30, 2017:

Company	Type	Rate	Maturity	Amount
American Water Capital Corp.	Senior Notes	5.62%-5.77%	2018-2021	$ 319
American Water Capital Corp.	Private activity bonds and government funded debt—fixed rate	1.79%-2.90%	2021-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.38%	2017-2041	12
Other American Water subsidiaries	Term Loan	4.48%-4.98%	2021	1
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	2036	1
Total retirements and redemptions				$ 334

On August 10, 2017, AWCC completed a $1,350 debt offering which included the sale of $600 aggregate principal amount of its 2.95% Senior Notes due in 2027 and $750 aggregate principal amount of its 3.75% Senior Notes due in 2047. At the closing of the offering, AWCC received, after deduction of underwriting discounts and debt issuance costs, $1,333. On September 13, 2017, AWCC used proceeds from the offering to: (i) prepay $138 of its outstanding 5.62% Series C Senior Notes due December 21, 2018 ("Series C Senior Notes") and $181 of its outstanding 5.77% Series D Senior Notes due December 21, 2021 ("Series D Senior Notes"); (ii) repay commercial paper obligations; and (iii) for general corporate purposes. Subsequently, AWCC used proceeds from the offering to repay at maturity, $524 of its 6.085% Senior Notes on October 15, 2017. In addition, the Company repaid $33 of 7.08% subsidiary debt at maturity on November 1, 2017.

As a result of AWCC's prepayment of the Series C and Series D Senior Notes and payment of a make-whole premium to the holders thereof of $34, the Company recorded an early debt extinguishment charge of $6, which was associated with the portion of the debt allocable to the Company's parent. Substantially all of the early debt extinguishment costs allocable to the Company's utility subsidiaries were recorded as regulatory assets that the Company believes are probable of recovery in future rates.

On August 7, 2017, the Company terminated four forward starting swap agreements with an aggregate notional amount of $300, realizing a gain of $19 to be amortized through interest, net over 30 years. The Company has one

remaining forward starting swap agreement, which was entered into on February 8, 2017, with a notional amount of $100 to reduce interest rate exposure for a portion of the expected refinancing of AWCC's Series C Senior Notes. This forward starting swap agreement terminates in November 2018 and has an average fixed rate of 2.67%. The Company has designated this forward starting swap agreement as a cash flow hedge with its fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

The Company has an interest rate swap to hedge $100 of its 6.085% Senior Notes maturing in the fourth quarter of 2017. The Company pays variable interest of six-month LIBOR plus 3.422% and has designated this interest rate swap as a fair value hedge accounted for at fair value with gains or losses, as well as the offsetting gains or losses on the hedged item, recognized in interest, net. The net gain and loss recognized by the Company for the three and nine months ended September 30, 2017 and 2016 was de minimis. This interest rate swap matured on October 15, 2017.

The Company has employed interest rate swaps to fix the interest cost on a portion of its variable-rate debt with an aggregate notional amount of $6. The Company has designated these interest rate swaps as economic hedges accounted for at fair value with gains or losses deferred as a regulatory asset or regulatory liability. The net gain recognized by the Company for the three and nine months ended September 30, 2017 and 2016 was de minimis.

No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2017 and 2016.

The following table provides a summary of the gross fair value for the Company's derivative asset and liabilities, as well as the location of the asset and liability balances in the Consolidated Balance Sheets:

Derivative Instruments	Derivative Designation	Balance Sheet Classification	September 30, 2017	December 31, 2016
Asset Derivative				
Forward starting swaps	Cash flow hedge	Other current assets	$ —	$ 27
Interest rate swap	Fair value hedge	Other current assets	—	1
Liability Derivative				
Interest rate swap	Fair value hedge	Current portion of long-term debt	$ —	$ 1
Forward starting swaps	Cash flow hedge	Other long-term liabilities	2	—

Note 7: Income Taxes

The Company's effective income tax rate was 40.3% and 39.1% for the three months ended September 30, 2017 and 2016, respectively, and 39.9% and 39.2% for the nine months ended September 30, 2017 and 2016, respectively.

On April 11, 2017, the State of New York enacted legislation that increased the state income tax rate on the Company's taxable income attributable to New York. This legislation eliminated the production of water as a qualified manufacturing activity in New York, which effectively increased the state income tax rate in New York. As a result of the legislative change, the Company was required to re-measure its cumulative deferred tax balances using the higher state income tax rate in the second quarter of 2017. This change in legislation was the primary cause of an increase to the Company's unitary deferred tax liability of $11. The portion of this increase related to the Company's New York subsidiary calculated on a stand-alone basis was $7, and was offset by a regulatory asset, as the Company believes it is probable of recovery in future rates. The remaining increase in the deferred tax liability was calculated through state tax apportionment rates and recorded at the consolidated level, resulting in a non-cash, cumulative charge to earnings of $4 during the second quarter of 2017.

On July 7, 2017, the State of Illinois enacted legislation that increased, effective July 1, 2017, the state income tax rate on the Company's taxable income attributable to Illinois from 7.75% to 9.5%. As a result of the legislative change, the Company was required to re-measure its cumulative deferred tax balances using the higher state income tax rate in the third quarter of 2017. This change in legislation was the primary cause of the increase to the Company's unitary deferred tax liability of $7. The portion of this increase related to the Company's Illinois subsidiary calculated on a stand-alone basis was $4, and was offset by a regulatory asset, as the Company believes it is probable of recovery in future rates. The remaining increase in the deferred tax liability was recorded at the consolidated level, resulting in a non-cash, cumulative charge of $3 during the third quarter of 2017.

Note 8: Pension and Other Postretirement Benefits

The following table provides the components of net periodic benefit costs:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Components of net periodic pension benefit cost				
Service cost	$ 8	$ 8	$ 25	$ 24
Interest cost	20	20	60	60
Expected return on plan assets	(23)	(24)	(70)	(72)
Amortization of actuarial loss	9	7	27	21
Net periodic pension benefit cost	$ 14	$ 11	$ 42	$ 33
Components of net periodic other postretirement benefit cost				
Service cost	$ 3	$ 3	$ 8	$ 9
Interest cost	7	7	20	22
Expected return on plan assets	(7)	(7)	(20)	(20)
Amortization of prior service credit	(5)	(3)	(14)	(4)
Amortization of actuarial loss	3	1	8	3
Net periodic other postretirement benefit cost	$ 1	$ 1	$ 2	$ 10

The Company made contributions for the funding of its defined benefit pension plans of $11 and $8 for the three months ended September 30, 2017 and 2016, respectively, and $31 and $25 for the nine months ended September 30, 2017 and 2016, respectively, and expects to contribute $9 during the remainder of 2017. In addition, the Company made contributions for the funding of its other postretirement plans of $2 and $6 for the three months ended September 30, 2017 and 2016, respectively, and $5 and $17 for the nine months ended September 30, 2017 and 2016, respectively, and expects to contribute $1 during the remainder of 2017.

Note 9: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of September 30, 2017, the Company has accrued approximately $139 of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $27. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 9, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

Background

On January 9, 2014, a chemical storage tank owned by Freedom Industries, Inc. leaked two substances, 4-methylcyclohexane methanol, or "MCHM", and PPH/DiPPH, a mix of polyglycol ethers, into the Elk River near the West Virginia-American Water Company ("WVAWC") treatment plant intake in Charleston, West Virginia. After having been alerted to the leak of MCHM by the West Virginia Department of Environmental Protection ("DEP"), WVAWC took immediate steps to gather more information about MCHM, augment its treatment process as a precaution, and begin consultations with federal, state and local public health officials. As soon as possible after it was determined that the augmented treatment process would not fully remove the MCHM, a joint decision was reached in consultation with the West Virginia Bureau for Public Health to issue a "Do Not Use" order for all of its approximately 93,000 customer

accounts in parts of nine West Virginia counties served by the Charleston treatment plant. By January 18, 2014, none of WVAWC's customers were subject to the Do Not Use order.

Following the Freedom Industries chemical spill, numerous lawsuits were filed against WVAWC and certain other Company affiliated entities (collectively, the "American Water Defendants") with respect to this matter in the U.S. District Court for the Southern District of West Virginia or West Virginia Circuit Courts in Kanawha, Boone and Putnam counties, and to date, 74 cases remain pending. Four of the cases pending before the U.S. district court were consolidated for purposes of discovery, and an amended consolidated class action complaint for those cases (the "Federal action") was filed in December 2014 by several plaintiffs. On January 28, 2016, all of the then-filed state court cases were referred to West Virginia's Mass Litigation Panel for further proceedings, which have been stayed pending the negotiation by the parties and approval by the court in the Federal action of a global agreement to settle all of such cases, as described below. On July 7, 2016, the court in the Federal action scheduled trial to begin on October 25, 2016, but the court has granted several continuances of the trial, which is currently postponed indefinitely in light of the preliminarily approved global settlement agreement described below. The Mass Litigation Panel has also stayed its proceedings until January 23, 2018.

Preliminary Approval of WVAWC Global Class Action Litigation Settlement

On October 31, 2016, the court in the Federal action approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle claims among the American Water Defendants, and all class members, putative class members, claimants and potential claimants, arising out of the Freedom Industries chemical spill. On April 27, 2017, the parties filed with the court in the Federal action a proposed settlement agreement providing details of the terms of the settlement of these matters and requesting that the court in the Federal action grant preliminary approval of such settlement. On July 6, 2017, the court in the Federal action issued an opinion denying without prejudice the joint motion for preliminary approval of the Settlement. On August 25, 2017, the parties filed a proposed amended settlement agreement and related materials addressing the matters set forth in the July 6, 2017 order.

On September 21, 2017, the court in the Federal action issued an order granting preliminary approval of a settlement class and proposed class action settlement (the "Settlement") with respect to claims against the American Water Defendants by all putative class members (collectively, the "Plaintiffs") for all claims and potential claims arising out of the Freedom Industries chemical spill. The Settlement proposes a global resolution of all federal and state litigation and potential claims against the American Water Defendants and their insurers. Under the terms and conditions of the Settlement and the proposed amended settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved. Under federal class action rules, a claimant may elect to opt out of the final Settlement, in which case such claimant will not receive any benefit from or be bound by the terms of the Settlement. The American Water Defendants would have the right to withdraw from the Settlement if more than a certain number of putative class members opt out of the Settlement. The deadline imposed by the court in the Federal action for any Plaintiff to opt out of the Settlement or file an objection to the Settlement is December 8, 2017.

The proposed aggregate pre-tax amount of the Settlement is $126, of which $43 would be contributed by WVAWC, and the remainder would be contributed by certain of the Company's general liability insurance carriers. The WVAWC contribution was reduced from $65 to $43 ($26 after tax) due to a settlement in the third quarter of 2017 with another of the Company's general liability insurance carriers, as discussed below. The Company has general liability insurance under a series of policies underwritten by a number of individual carriers. Two of these insurance carriers, which provide an aggregate of $50 in insurance coverage to the Company under these policies, had been originally requested to participate in the Settlement at the time of the initial filing of the binding agreement in principle with the court in the Federal action, but did not agree to do so at that time. WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constituted a breach of contract. On September 19, 2017, the Company and the insurance carrier settled this lawsuit for $22, out of a maximum of $25 in potential coverage under the terms of the relevant policy, in exchange for a full release by the Company and WVAWC of all claims against the insurance carrier related to the Freedom Industries chemical spill. WVAWC and the settling insurer have agreed to stay this litigation pending final approval of the Settlement. The Company and WVAWC continue to pursue vigorously their rights to insurance coverage for contributions by WVAWC to the Settlement in mandatory arbitration with the remaining non-participating carrier. This arbitration proceeding remains pending.

The proposed Settlement would establish a two-tier settlement fund for the payment of claims, comprised of (i) a simple claim fund, which is also referred to as the "guaranteed fund," of $76, of which $29 will be contributed by WVAWC, including insurance deductibles, and $47 would be contributed by two of the Company's general liability

insurance carriers, and (ii) an individual review claim fund of up to $50, of which up to $14 would be contributed by WVAWC and up to $36 would be contributed by a number of the Company's general liability insurance carriers. Separately, up to $25 would be contributed to the guaranteed fund by another defendant to the Settlement. If any final approval order by the court in the Federal action with respect to the Settlement is appealed and such appeal would delay potential payment to claimants under the Settlement, WVAWC and the other defendant to the Settlement will contribute up to $50 and $25, respectively, to the Settlement (not including, in the case of WVAWC, any contributions by the Company's general liability insurance carriers which would not be made until such time as a final, non-appealable order is issued) into an escrow account during the pendency of such appeals. For certain claims, WVAWC and the other defendant to the Settlement may, in lieu of these escrowed contributions, make advance payments of such claims if agreed to by the parties. All administrative expenses of the Settlement and attorneys' fees of class counsel related thereto would be paid from the funds designated to pay claims covered by the Settlement.

As a result of these events, in the third quarter of 2016, the Company recorded a charge to earnings, net of insurance receivables, of $65 ($39 after-tax). Additionally, in the third quarter of 2017, the Company recorded a benefit of $22 ($13 after-tax) as an additional insurance receivable reflecting the settlement with the insurance carrier described above. The settlement amount of $126 is reflected in Accrued Liabilities and the offsetting insurance receivables are reflected in Other Current Assets in the Consolidated Balance Sheet as of September 30, 2017. The Company intends to fund WVAWC's contributions to the Settlement through existing sources of liquidity, although no contribution by WVAWC will be required unless and until the terms of the Settlement are finally approved by the court in the Federal action. Furthermore, under the terms of the Settlement, WVAWC has agreed that it will not seek rate recovery from the Public Service Commission of West Virginia for approximately $4 in direct response costs expensed in 2014 by WVAWC relating to the Freedom Industries chemical spill as well as for amounts paid by WVAWC under the Settlement.

The Company's insurance policies operate under a layered structure where coverage is generally provided in the upper layers after claims have exhausted lower layers of coverage. The $36 to be contributed by a number of the Company's general liability insurance carriers to the individual review claim fund, as noted above, is from higher layers of the insurance structure than the insurance carrier that was requested, but presently has not agreed, to participate in the Settlement. Any recovery by WVAWC or the Company from the remaining non-participating carrier would reimburse WVAWC for its contributions to the guaranteed fund.

Other Related Proceedings

Additionally, investigations with respect to the matter have been initiated by the U.S. Chemical Safety and Hazard Investigation Board (the "CSB"), the U.S. Attorney's Office for the Southern District of West Virginia, the West Virginia Attorney General, and the Public Service Commission of West Virginia (the "PSC"). As a result of the U.S. Attorney's Office investigation, Freedom Industries and six former Freedom Industries employees (three of whom also were former owners of Freedom Industries), pled guilty to violations of the federal Clean Water Act.

In May 2014, the PSC issued an Order initiating a General Investigation into certain matters relating to WVAWC's response to the Freedom Industries chemical spill. Three parties intervened in the proceeding, including the Consumer Advocate Division of the PSC and two attorney-sponsored groups, including one sponsored by some of the plaintiffs' counsel involved in the civil litigation described above. On January 26, 2017, WVAWC and the other parties agreed to resolve the General Investigation and filed a joint stipulation with the PSC containing the terms of the settlement. The parties to the joint stipulation filed a proposed order with the PSC on February 8, 2017. On June 15, 2017, the PSC entered an order accepting the joint stipulation that had been filed by the parties in January 2017 as a reasonable basis for resolving the General Investigation and removing the proceeding from the docket. The PSC's order did not require WVAWC to take any further action with respect to the matters covered by the General Investigation. The PSC order concludes the General Investigation.

The CSB is an independent investigatory agency with no regulatory mandate or ability to issue fines or citations; rather, the CSB can only issue recommendations for further action. In response to the Freedom Industries chemical spill, the CSB commenced an investigation shortly thereafter. On September 28, 2016, the CSB issued and adopted its investigation report in which it recommended that the Company conduct additional source water protection activities. The Company provided written comments to the CSB's report suggesting that the recommendation made to the Company would be better directed to the U.S. Environmental Protection Agency in order to promote industry-wide implementation of the CSB's recommendation. On February 15, 2017, the Company filed a response to the CSB's recommendation. On April 4, 2017, the CSB indicated that the implementation by the Company of source water protection activities resolved the first two parts of the CSB's recommendation. The CSB also noted that compliance by the Company with the third part of its recommendation is ongoing and that closure of this part is contingent upon completion of updated contingency planning for the Company's water utilities outside of West Virginia. In light of public response to its original September 2016 investigation report, on May 11, 2017, the CSB issued a new version of this report. The primary substantive change addressed CSB's factual evaluation of the duration and volume of contamination from the leaking tank, decreasing its estimate of the leak time but increasing the volume estimate by 10%. No substantive changes were made to the conclusions and recommendations in the original report.

On March 16, 2017, the Lincoln County (West Virginia) Commission (the "LCC") passed a county ordinance entitled the "Lincoln County, WV Comprehensive Public Nuisance Investigation and Abatement Ordinance." The

ordinance establishes a mechanism that Lincoln County believes will allow it to pursue criminal or civil proceedings for the “public nuisance” it alleges was caused by the Freedom Industries chemical spill. On April 20, 2017, the LCC filed a complaint in Lincoln County state court against WVAWC and certain other defendants not affiliated with the Company, alleging that the Freedom Industries chemical spill caused a public nuisance in Lincoln County. On June 12, 2017, the Mass Litigation Panel entered an order granting a motion to transfer this case to its jurisdiction and stayed the case consistent with the existing stay order. The complaint seeks an injunction against WVAWC that would require the creation of various databases and public repositories of documents related to this chemical spill, as well as further study and risk assessments regarding the alleged exposure by Lincoln County residents to the released chemicals. WVAWC believes that the lawsuit is without merit and intends to vigorously contest the claims and allegations raised in the complaint.

California Public Utilities Commission Residential Rate Design Proceeding

In December 2016, the California Public Utilities Commission (the "CPUC") issued a final decision in a proceeding involving California-American Water Company, the Company's wholly owned subsidiary ("Cal Am"), adopting a new residential rate design for Cal Am's Monterey District. The decision allowed for recovery by Cal Am of $32 in under-collections in the water revenue adjustment mechanism/modified cost balancing account ("WRAM/MCBA") over a five-year period, plus interest, and modified existing conservation and rationing plans. In its decision, the CPUC noted concern regarding Cal Am's residential tariff administration, specifically regarding the lack of verification of customer-provided information about the number of residents per household. This information was used for generating billing determinants under the tiered rate system. As a result, the CPUC kept this proceeding open to address several issues, including whether Cal Am's residential tariff administration violated a statute, rule or CPUC decision, and if so, whether a penalty should be imposed.

On February 24, 2017, Cal Am, the Monterey Peninsula Water Management District, the CPUC's Office of Ratepayer Advocates, and the Coalition of Peninsula Businesses filed for CPUC approval of a joint settlement agreement (the "Joint Settlement Agreement"), which among other things, proposed to resolve the CPUC's residential tariff administration concerns by providing for a waiver by Cal Am of $0.5 of cost recovery for residential customers through the WRAM/MCBA in lieu of a penalty. Approval of the Joint Settlement Agreement, which is required for it to take effect, remains pending before the CPUC.

On March 28, 2017, the administrative law judge assigned to the proceeding issued a ruling stating there was sufficient evidence to conclude, on a preliminary basis, that Cal Am's administration of the residential tariff violated certain provisions of the California Public Utilities Code and a CPUC decision. The ruling ordered Cal Am to show cause why it should not be penalized for these administrative violations and directed the settling parties to address whether the cost recovery waiver in the Joint Settlement Agreement was reasonable compared to a potential penalty range described by the administrative law judge. During hearings held on April 13-14, 2017, the administrative law judge clarified that this potential penalty range is $3 to $179 (calculated as a continuing violation dating back to 2000 and applying penalties of up to $20 thousand per day until January 1, 2012 and penalties of up to $50 thousand per day thereafter, reflecting a 2012 change to the relevant statute). The administrative law judge also noted that a per diem penalty may not be appropriate, as Cal Am's monthly billing practices did not allow Cal Am to update customer-provided information for billing purposes on a daily basis. Hearings before the administrative law judge in this matter occurred in August and September 2017. Cal Am also submitted additional testimony on the issue of whether Cal Am should be penalized, and if so, the reasonable amount of any such penalty. A subsequent hearing in this proceeding is currently scheduled for November 27, 2017.

As of September 30, 2017, the portions of this loss contingency that are probable and/or reasonable possible have been determined to be immaterial to the Company and have been included in the aggregate maximum amounts described above in the first paragraph of "Contingencies" in this Note 9.

Missouri Infrastructure System Replacement Surcharge Litigation

In March 2016, the Western District of the Missouri Court of Appeals ruled that the Missouri Public Service Commission ("MoPSC") did not have statutory authority to issue an order in June 2015 approving an infrastructure system replacement surcharge ("ISRS") for Missouri-American Water Company ("MAWC"), a wholly owned subsidiary of the Company. The court held that the MoPSC's June 2015 order authorizing the ISRS increase was invalid because St. Louis County did not have a population of at least one million residents, as required by the statute. MAWC believes that the MoPSC's June 2015 order authorizing the collection of ISRS revenues is lawful. In June 2016, the Missouri Supreme Court granted MAWC's application to transfer the case from the Court of Appeals to the Missouri Supreme Court, and as a result of that order, the March 2016 ruling of the Court of Appeals was vacated.

On March 14, 2017, in a unanimous decision, the Missouri Supreme Court dismissed the case as moot, finding that there were no longer any ISRS funds in dispute because MAWC had completed a rate case during the appellate process and the disputed charges were now incorporated in base rates. On May 30, 2017, the Missouri Supreme Court denied a Motion for Rehearing filed by the Missouri Office of Public Counsel, which action concluded the litigation in this matter.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of WVAWC's West Relay pumping station located in the City of Dunbar. The failure of the main caused water outages and low pressure to up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was completed safely on June 30, 2015. Water service was fully restored on July 1, 2015 to all customers affected by this event.

On June 2, 2017, a class action complaint was filed in West Virginia Circuit Court in Kanawha County against WVAWC on behalf of a purported class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

On October 12, 2017, WVAWC filed with the court a motion seeking to dismiss all of the plaintiffs' counts alleging statutory and common law tort claims. Furthermore, WVAWC asserts that the Public Service Commission of West Virginia, and not the court, has primary jurisdiction over allegations involving violations of the applicable tariff, the public utility code and related rules. This motion remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible losses or a range of such losses related to this proceeding.

Note 10: Earnings per Common Share

The following is a reconciliation of the numerator and denominator for basic and diluted earnings per share calculations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator				
Net income attributable to common stockholders	$ 203	$ 148	$ 427	$ 367
Denominator				
Weighted-average common shares outstanding—Basic	178	178	178	178
Effect of dilutive common stock equivalents	1	—	1	1
Weighted-average common shares outstanding—Diluted	179	178	179	179

The effect of dilutive common stock equivalents is related to restricted stock units and performance stock units granted under the 2007 and 2017 Omnibus Equity Compensation Plans, as well as shares purchased under the Company's Nonqualified Employee Stock Purchase Plan.

Note 11: Fair Value of Financial Assets and Liabilities

Fair Value of Financial Instruments

The Company used the following methods and assumptions to estimate its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported in the accompanying Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are

valued using observable and unobservable inputs. The fair values of instruments classified as Level 2 and Level 3 are determined by a valuation model that is based on a conventional discounted cash flow methodology and utilizes assumptions of current market rates. As a portion of the Company's debts do not trade in active markets, the Company calculated a base yield curve using a risk-free rate (a U.S. Treasury securities yield curve) plus a credit spread that is based on the following two factors: (i) an average of the Company's own publicly-traded debt securities and (ii) the current market rates for U.S. Utility A debt securities. The Company used these yield curve assumptions to derive a base yield for the Level 2 and Level 3 securities. Additionally, the Company adjusted the base yield for specific features of the debt securities including call features, coupon tax treatment and collateral for the Level 3 instruments.

The carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting and a fair value adjustment related to the Company's interest rate swap fair value hedge (which is classified as Level 2 in the fair value hierarchy), and fair values of the financial instruments were as follows:

	Carrying Amount	At Fair Value as of September 30, 2017			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 11	$ —	$ —	$ 15	$ 15
Long-term debt (excluding capital lease obligations)	7,357	5,375	990	1,867	8,232

	Carrying Amount	At Fair Value as of December 31, 2016			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 12	$ —	$ —	$ 15	$ 15
Long-term debt (excluding capital lease obligations)	6,320	3,876	1,363	1,805	7,044

Recurring Fair Value Measurements

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis and their level in the fair value hierarchy:

	At Fair Value as of September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 29	$ —	$ —	$ 29
Rabbi trust investments	14	—	—	14
Deposits	4	—	—	4
Other investments	4	—	—	4
Total assets	51	—	—	51
Liabilities:				
Deferred compensation obligations	16	—	—	16
Mark-to-market derivative liabilities	—	2	—	2
Total liabilities	16	2	—	18
Total net assets (liabilities)	$ 35	$ (2)	$ —	$ 33

	At Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 24	$ —	$ —	$ 24
Rabbi trust investments	12	—	—	12
Deposits	3	—	—	3
Mark-to-market derivative assets	—	28	—	28
Other investments	1	—	—	1

Total assets	40	28	—	68
Liabilities:				
Deferred compensation obligations	13	—	—	13
Total liabilities	13	—	—	13
Total net assets (liabilities)	$ 27	$ 28	$ —	$ 55

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operations and maintenance projects. The proceeds of these financings are held in escrow until the designated expenditures are incurred. Long-term restricted funds of $1 and $4 were included in other long-term assets as of September 30, 2017 and December 31, 2016, respectively.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets.

Mark-to-market derivative asset and liability—The Company utilizes fixed-to-floating interest-rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company also employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and forward starting interest rate swaps, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Note 12: Segment Information

The Company conducts its business primarily through one reportable segment, the Regulated Businesses segment. The Company also operates several businesses that provide a broad range of related and complementary water and wastewater services in four operating segments that individually do not meet the criteria of a reportable segment in accordance with GAAP. These four non-reportable operating segments are collectively presented as the Company's "Market-Based Businesses." "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The following tables include the Company's summarized segment information:

	As of or for the Three Months Ended September 30, 2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 842	$ 100	$ (6)	$ 936
Depreciation and amortization	121	5	2	128
Total operating expenses, net	433	80	(7)	506
Interest, net	(67)	1	(23)	(89)
Income before income taxes	347	21	(28)	340
Provision for income taxes	135	7	(5)	137
Net income attributable to common stockholders	212	14	(23)	203
Total assets	17,390	600	1,371	19,361

	As of or for the Three Months Ended September 30, 2016			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 826	$ 109	$ (5)	$ 930
Depreciation and amortization	111	4	4	119
Total operating expenses, net	521	98	(8)	611
Interest, net	(64)	—	(17)	(81)
Income before income taxes	246	12	(15)	243
Provision for income taxes	94	5	(4)	95
Net income attributable to common stockholders	152	7	(11)	148
Total assets	16,020	545	1,406	17,971

	As of or for the Nine Months Ended September 30, 2017			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,247	$ 306	$ (17)	$ 2,536
Depreciation and amortization	357	13	8	378
Total operating expenses, net	1,327	263	(19)	1,571
Interest, net	(200)	2	(61)	(259)
Income before income taxes	731	46	(66)	711
Provision for income taxes	285	17	(18)	284
Net income attributable to common stockholders	446	29	(48)	427
Total assets	17,390	600	1,371	19,361

	As of or for the Nine Months Ended September 30, 2016			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,176	$ 338	$ (14)	$ 2,500
Depreciation and amortization	328	11	11	350
Total operating expenses, net	1,385	300	(17)	1,668
Interest, net	(191)	1	(52)	(242)
Income before income taxes	610	44	(50)	604
Provision for income taxes	236	18	(17)	237
Net income attributable to common stockholders	374	26	(33)	367
Total assets	16,020	545	1,406	17,971

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the unaudited consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as result of a number of factors, including those we discuss under "Forward-Looking Statements," and elsewhere in this Form 10-Q.

General

Through its subsidiaries, American Water Works Company, Inc. ("American Water" or the "Company") is the largest and most geographically diverse investor-owned publicly-traded water and wastewater utility company in the United States, as measured by both operating revenue and population served. Our primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial and other customers, including sale for resale and public authority customers. Our utilities are generally subject to economic regulation by certain state utility commissions or other entities engaged in utility regulation. We report the results of our utilities in our Regulated Businesses segment. We also operate several businesses that provide a broad range of related and complementary water and wastewater services that are not subject to economic regulation by state utility commissions or other entities engaged in utility regulation. We present the results of these businesses as our "Market-Based Businesses." For further description of our businesses, see Part I, Item 1—Business in our Form 10-K.

You should read the following discussion in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Form 10-Q and in our Form 10-K.

Financial Results

Highlights of our diluted earnings per share and adjusted diluted earnings per share (a non-GAAP measure) for the three and nine months ended September 30, 2017 are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Diluted earnings per share (GAAP):				
Net income attributable to common stockholders	$ 1.13	$ 0.83	$ 2.39	$ 2.05
Non-GAAP adjustments:				
Impact of Freedom Industries settlement activities	(0.12)	0.36	(0.12)	0.36
Income tax impact	0.05	(0.14)	0.05	(0.14)
Net non-GAAP adjustment	(0.07)	0.22	(0.07)	0.22
Early debt extinguishment at the parent company	0.03	—	0.03	—
Income tax impact	(0.01)	—	(0.01)	—
Net non-GAAP adjustment	0.02	—	0.02	—
Total net non-GAAP adjustments	(0.05)	0.22	(0.05)	0.22
Adjusted diluted earnings per share (non-GAAP)	$ 1.08	$ 1.05	$ 2.34	$ 2.27

For the three months ended September 30, 2017, net income attributable to common stockholders was $1.13 per diluted share, an increase of $0.30 per diluted share, or 36.1%, over the same period in 2016. Included in the 2017 amount was an after-tax benefit of $13 million, or $0.07 per diluted share, resulting from an insurance settlement with one of our general liability insurance carriers related to the Freedom Industries matter and an after-tax charge of $4 million, or $(0.02) per diluted share, resulting from an early debt extinguishment charge at the parent company. Included in the 2016 amount was an after-tax charge of $39 million, or $(0.22) per diluted share, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill.

Excluding these items, adjusted diluted earnings per share (a non-GAAP measure) was $1.08 for the three months ended September 30, 2017, an increase of $0.03 per diluted share, or 2.9% over the same period in 2016. This increase was primarily due to continued growth in our Regulated Businesses segment, largely driven by infrastructure investment, acquisitions and organic growth, combined with growth in our Market-Based Businesses from our Homeowner Services Group. These increases were partially offset by warmer weather in the third quarter of 2016 and a discrete tax adjustment recorded at the parent company associated with legislative changes in the State of Illinois impacting state tax apportionment.

For the nine months ended September 30, 2017, net income attributable to common stockholders was $2.39 per diluted share, an increase of $0.34 per diluted share, or 16.6% over the same period in 2016. Included in the 2017 amount was an after-tax benefit of $13 million, or $0.07 per diluted share, resulting from an insurance settlement with one of our general liability insurance carriers related to the Freedom Industries matter and an after-tax charge of $4 million, or $(0.02) per diluted share, resulting from an early debt extinguishment charge at the parent company. Included in the 2016 amount was an after-tax charge of $39 million, or $(0.22) per diluted share, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill.

Excluding these items, adjusted diluted earnings per share (a non-GAAP measure) was $2.34 for the nine months ended September 30, 2017, an increase of $0.07 per diluted share, or 3.1%, over the same period in 2016. This increase was primarily due to continued growth in our Regulated Businesses segment, largely driven by infrastructure investment, acquisitions and organic growth, combined with growth in our Market-Based Businesses from our Homeowner Services Group. These increases were partially offset by overall warmer weather in 2016 and two discrete tax adjustments recorded at the parent company associated with legislative changes in the States of New York and Illinois impacting state tax apportionment.

Adjusted diluted earnings per share represents a non-GAAP financial measure and means diluted earnings per share, calculated in accordance with U.S. GAAP, excluding the impact of (1) the September 2017 insurance settlement related to the Freedom Industries chemical spill, (2) the debt extinguishment charge incurred in September 2017 with respect to the early extinguishment of debt allocated to the parent company and (3) the October 2016 binding global agreement in principle to settle claims related to the Freedom Industries chemical spill. We believe that this non-GAAP measure provides investors with useful information by excluding certain matters that may not be indicative of our ongoing operating results, and that providing this non-GAAP measure will allow investors to understand better our businesses' operating performance and facilitate a meaningful year-to-year comparison of our results of operations. Although management uses this non-GAAP financial measure internally to evaluate our results of operations, we do not intend results excluding the adjustments to represent results as defined by U.S. GAAP, and the reader should not consider them as indicators of performance. This non-GAAP financial measure is derived from our consolidated financial information but is not presented in our financial statements prepared in accordance with U.S. GAAP, and thus it should be considered in addition to, and not as a substitute for, measures of financial performance prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure as defined and used above may not be comparable to similarly titled non-GAAP measures used by other companies, and, accordingly, it may have significant limitations on its use.

Focusing on Central Themes

For 2017, our focus continues to be anchored on our five central themes: 1) Safety, 2) Customers, 3) People, 4) Growth and 5) Technology and Operational Efficiency. We continue our focus on operating our business responsibly and managing our operating and capital costs in a manner that benefits our customers and produces long-term value for our stockholders. Additionally, we continue to execute on our ongoing strategy that ensures a safe workplace for our employees, emphasizes public safety for our customers and communities, and leverages our human resources, processes and technology innovation to make our business more effective and efficient. The progress that we have made during the first nine months of 2017 with respect to growth and improvement in our operational efficiency ratio is described below.

Growth—Infrastructure improvements, acquisitions and strategic capital investments

During the first nine months of 2017, we made capital investments of approximately $1.0 billion, focused in two key areas:

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$963 million of which the majority was in our Regulated Businesses segment for infrastructure improvements; and

- $43 million to fund acquisitions in our Regulated Businesses segment, which added approximately 16,000 water and wastewater customers. This includes the acquisition on April 3, 2017, of all the outstanding capital stock of Shorelands Water Company, Inc. ("Shorelands"), for total consideration of $33 million in the form of 438,211 shares of our common stock. Shorelands, which is now a part of our New Jersey subsidiary, provides water service to approximately 11,000 customers in Monmouth County, New Jersey.

For the full year of 2017, our capital investment, including regulated acquisitions, is expected to be approximately $1.65 billion.

Included in this range is the asset purchase agreement signed by our Pennsylvania subsidiary to acquire substantially all of the wastewater collection and treatment system assets of the Municipal Authority of the City of McKeesport, Pennsylvania for approximately $159 million, subject to certain adjustments provided in the agreement. The system currently represents approximately 22,000 wastewater customers. In connection with the execution of this agreement, $7 million in non-escrowed deposits have been made to the seller. On October 26, 2017, the Pennsylvania Public Utility Commission approved a joint petition for settlement of this acquisition. The closing of this acquisition is subject to the satisfaction of various conditions and covenants. We are expecting to close this acquisition by the end of 2017.

On September 29, 2017, our Military Services Group was awarded a contract for ownership, operation and maintenance of the water and wastewater systems at Wright-Patterson Air Force Base, the largest single-site employer in the state of Ohio. The contract award includes estimated revenues of approximately $490 million over a 50-year period, subject to an annual economic price adjustment. With the addition of this base, our backlog of revenue associated with our military contracts is approximately $3.5 billion over their remaining contract terms.

Technology & Operational Efficiency—Continuing Improvement in Adjusted Operation and Maintenance ("O&M") Efficiency Ratio for our Regulated Businesses

We continued to improve on our adjusted O&M efficiency ratio (a non-GAAP measure). Our adjusted O&M efficiency ratio for the twelve months ended September 30, 2017 was 34.2%, compared to 34.9% for the twelve months ended September 30, 2016. The improvement in this ratio for the twelve months ended September 30, 2017, as compared to the same period in 2016, was primarily attributable to an increase in regulated operating revenue.

Our adjusted O&M efficiency ratio is defined as our regulated operation and maintenance expenses divided by regulated operating revenues, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Additionally, from operation and maintenance expenses, we excluded the allocable portion of non-operation and maintenance support services cost, mainly depreciation and general taxes, that are reflected in our Regulated Businesses segment as operation and maintenance expenses but for consolidated financial reporting purposes are categorized within other line items in the accompanying Consolidated Statements of Operations. In addition to the standard adjustments to our adjusted O&M efficiency ratio, for 2016 and 2017, we have also excluded from operation and maintenance expenses the impact of certain Freedom Industries chemical spill settlement activities. We excluded all the above items from the calculation as we believe such items are not reflective of management's ability to increase efficiency of our regulated operations.

We evaluate our operating performance using this ratio because we believe it directly measures improvement in the efficiency of our regulated operations. This information is intended to enhance an investor's overall understanding of our operating performance. Our adjusted O&M efficiency ratio is not a GAAP financial measure, may not be comparable to other companies' operating measures and should not be used in place of the GAAP information provided elsewhere in this report.

The following table provides the calculation of our adjusted O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of our adjusted O&M efficiency ratio, for the twelve months ended September 30, 2017 as compared to the same period in 2016:

	For the twelve months ended September 30,	
(In millions)	**2017**	**2016**
Total operation and maintenance expenses	$ 1,383	$ 1,511
Less:		
Operation and maintenance expenses—Market-Based Businesses	334	391
Operation and maintenance expenses—Other	(46)	(42)
Total operation and maintenance expenses—Regulated Businesses	1,095	1,162
Less:		
Regulated purchased water expenses	124	120
Allocation of non-operation and maintenance expenses	29	29
Impact of Freedom Industries settlement activities (a)	(22)	65
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 964	$ 948
Total operating revenues	$ 3,338	$ 3,283
Less:		
Operating revenues—Market-Based Businesses	419	464
Operating revenues—Other	(23)	(17)
Total regulated operating revenues—Regulated Businesses	2,942	2,836
Less:		
Regulated purchased water revenues (b)	124	120
Adjusted operating revenues—Regulated Businesses (ii)	$ 2,818	$ 2,716
Adjusted operation and maintenance efficiency ratio—Regulated Businesses (i) / (ii)	34.2%	34.9%

(a) Includes binding agreement in principle in 2016 and settlement with general liability insurance carrier in 2017.

(b) Calculation assumes purchased water revenues approximate purchased water expenses.

Regulatory Matters

The table below provides annualized incremental revenues resulting from rate authorizations that became effective during the nine months ended September 30, 2017 for general rate cases, assuming a constant water sales volume, and infrastructure surcharge mechanisms. There were no rate authorizations that became effective during the three months ended September 30, 2017.

(In millions)	For the Nine Months Ended September 30, 2017
General rate cases by state:	
New York (effective June 1, 2017)	$ 4
Virginia (a)	5
Iowa (effective March 27, 2017)	4
California (effective January 13, 2017 - February 2, 2017)	5
Illinois (effective January 1, 2017)	25
Total general rate cases	$ 43
Infrastructure surcharges by state:	
New Jersey (effective June 1, 2017)	$ 10
Indiana (effective March 22, 2017)	8
Tennessee (effective March 14, 2017)	2
Pennsylvania (effective January 1, 2017)	1
West Virginia (effective January 1, 2017)	2
Total infrastructure surcharges	$ 23

(a) The effective date of the rate order was May 24, 2017, authorizing the implementation of interim rates as of April 1, 2016.

Pending General Rate Case and Cost of Capital Filings

During the second quarter of 2017, our Pennsylvania subsidiary filed a general rate case requesting $108 million in additional annualized water and wastewater revenues. On October 16, 2017, a proposed settlement agreement was entered into by our Pennsylvania subsidiary and the other parties to the proceeding, providing for additional annualized water and wastewater revenues of $62 million, subject to approval by the administrative law judges assigned to the case and the PaPUC.

On September 15, 2017, our New Jersey subsidiary filed a general rate case requesting $129 million in additional annualized water and wastewater revenues.

On June 30, 2017, our Missouri subsidiary filed a general rate case requesting $84 million in additional annualized water and wastewater revenues.

On April 3, 2017, our California subsidiary filed an application requesting a cost of capital of 8.49%, compared to 8.41% currently authorized. The results of this proceeding will not become effective until January 2018.

During the third quarter of 2016, our California subsidiary filed a general rate case requesting $35 million in additional annualized revenues and an increase of $8 million in the escalation year of 2019 and the attrition year of 2020. During the fourth quarter of 2016, our California subsidiary filed an update to its general rate case, adjusting its request for additional annualized revenues to $32 million and increasing its request to $9 million in the escalation year of 2019.

Pending Infrastructure Surcharge Filings

On October 31, 2017, our Virginia subsidiary filed for infrastructure surcharges requesting $1 million in additional annualized revenues.

On October 13, 2017, our New Jersey subsidiary filed for an infrastructure surcharge requesting $4 million in additional annualized revenues.

During the second quarter of 2017, our West Virginia subsidiary filed for an infrastructure surcharge requesting $3 million in additional annualized revenues. On October 11, 2017, our West Virginia subsidiary filed a settlement agreement with the Public Service Commission of West Virginia ("WVPSC"), whereby all parties to the proceeding have agreed to an infrastructure surcharge that provides for approximately the requested increase amount in annualized revenues, subject to approval by the WVPSC.

During the second quarter of 2017, our Missouri subsidiary filed for an infrastructure surcharge requesting $5 million in additional annualized revenues. On August 29, 2017, our Missouri subsidiary refiled and adjusted its request for additional annualized revenues to $6 million.

Other Regulatory Filings

On August 4, 2017, our Illinois subsidiary filed a petition with Illinois Commerce Commission ("ICC") to place into effect revised depreciation rates applicable to depreciable water and wastewater plant resulting from a new depreciation study. The petition requested that these new rates would be effective January 1, 2017. We expect the ICC to provide a final ruling on the petition in the fourth quarter of 2017. The estimated effect of the new study is to lower depreciation expense by approximately $16 million on an annualized basis.

There is no assurance that all or any portion of these requests will be granted.

Other Tax Matters

On April 11, 2017, the State of New York enacted legislation that increased the state income tax rate on our taxable income attributable to New York. This legislation eliminated the production of water as a qualified manufacturing activity in New York, which effectively increased the state income tax rate in New York. As a result of the legislative change, we were required to re-measure our cumulative deferred tax balances using the higher state income tax rate in the second quarter of 2017. This change in legislation was the primary cause of an increase to our unitary deferred tax liability of $11 million. The portion of this increase related to our New York subsidiary calculated on a stand-alone basis was $7 million, and was offset by a regulatory asset, as we believe it is probable of recovery in future rates. The remaining increase in the deferred tax liability was calculated through state tax apportionment rates and recorded at the consolidated level, resulting in a non-cash, cumulative charge to earnings of $4 million during the second quarter of 2017.

On July 7, 2017, the State of Illinois enacted legislation that increased, effective July 1, 2017, the state income tax rate on our taxable income attributable to Illinois from 7.75% to 9.5%. As a result of the legislative change, we were required to re-measure our cumulative deferred tax balances using the higher state income tax rate in the third quarter of 2017. This change in legislation was the primary cause of an increase to our unitary deferred tax liability of $7 million. The portion of this increase related to our Illinois subsidiary calculated on a stand-alone basis was $4 million, and was offset by a regulatory asset, as we believe it is probable of recovery in future rates. The remaining increase in the deferred tax liability was recorded at the consolidated level, resulting in a non-cash, cumulative charge to earnings of $3 million during the third quarter of 2017.

During the second quarter of 2017, we were notified by the assessor for St. Louis County, Missouri, that it was changing its long standing practice of valuing regulated water and wastewater property located in the County using a seven-year life, and instead intends to use a twenty-year life for a substantial portion of this property. During the second quarter of 2017, we were also notified by the assessor for Platte County, Missouri, that it intended to change its long standing practice of valuing regulated water and wastewater property located in the County using a twenty-year life, and instead intends to use a fifty-year life for a substantial portion of this property. These changes in practice and the resulting valuations as assessed by the respective County, will increase our property tax obligation beginning in 2017. We have asked the Missouri regulator for an accounting recovery mechanism that would allow deferral of any increase in tax resulting from these changes in long standing practice, and we believe these increases are recoverable through future customer rates. As a result, during the second quarter of 2017, we recorded the additional estimated increase in property tax obligation of $2 million, with an offset to a regulatory asset. During the third quarter of 2017, we filed complaints with the Missouri State Tax Commission, seeking review of property assessments in Platte County.

Consolidated Results of Operations

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)								
Operating revenues	$ 936	$ 930	$ 6	0.6 %	$2,536	$2,500	$ 36	1.4 %
Operating expenses:								
Operation and maintenance	324	432	(108)	(25.0)%	1,010	1,131	(121)	(10.7)%
Depreciation and amortization	128	119	9	7.6 %	378	350	28	8.0 %
General taxes	61	65	(4)	(6.2)%	192	195	(3)	(1.5)%
Gain on asset dispositions and purchases	(7)	(5)	(2)	40.0 %	(9)	(8)	(1)	12.5 %
Total operating expenses, net	506	611	(105)	(17.2)%	1,571	1,668	(97)	(5.8)%
Operating income	430	319	111	34.8 %	965	832	133	16.0 %
Other income (expenses):								
Interest, net	(89)	(81)	(8)	9.9 %	(259)	(242)	(17)	7.0 %
Loss on extinguishment of debt	(6)	—	(6)	100.0%	(6)	—	(6)	100.0%
Other, net	5	5	—	— %	11	14	(3)	(21.4)%
Total other income (expenses)	(90)	(76)	(14)	18.4 %	(254)	(228)	(26)	11.4 %
Income before income taxes	340	243	97	39.9 %	711	604	107	17.7 %
Provision for income taxes	137	95	42	44.2 %	284	237	47	19.8 %
Net income attributable to common stockholders	$ 203	$ 148	$ 55	37.2 %	$ 427	$ 367	$ 60	16.3 %

Comparison of Consolidated Results of Operations

Operating revenues. For the three months ended September 30, 2017, operating revenues increased primarily due to a:

- $16 million increase in our Regulated Businesses segment principally due to authorized rate increases to fund infrastructure investment growth, acquisitions and organic growth, partially offset by lower water services demand in 2017, including a $7 million reduction due to warmer weather in the third quarter of 2016; partially offset by a
- $9 million decrease in our Market-Based Businesses primarily due to lower capital upgrades in our Military Services Group, largely from reduced military base budgets, partially offset by incremental revenues in our Homeowner Services Group from customer growth and price increases for existing customers.

For the nine months ended September 30, 2017, operating revenues increased primarily due to a:

- $71 million increase in our Regulated Businesses segment principally due to authorized rate increases to fund infrastructure investment growth, acquisitions and organic growth, partially offset by lower water services demand in 2017, including a $12 million reduction due to overall warmer weather in 2016; partially offset by a
- $32 million decrease in our Market-Based Businesses primarily due to lower capital upgrades in our Military Services Group, largely from reduced military base budgets and the completion of a large project in mid-2016 at Fort Polk, partially offset by incremental revenues in our Homeowner Services Group from customer growth and price increases for existing customers.

Operation and maintenance. For the three months ended September 30, 2017, operation and maintenance expense decreased primarily due to a:

- $88 million decrease in our Regulated Businesses segment principally due to a $65 million charge recorded in the third quarter of 2016, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia, and a $22 million benefit recorded in the third quarter of 2017, resulting from an insurance settlement with one of our general liability insurance carriers also related to this matter in West Virginia; partially offset by a
- $17 million decrease in our Market-Based Businesses primarily due to lower capital upgrades in our Military Services Group, as discussed above.

For the nine months ended September 30, 2017, operation and maintenance expense decreased primarily due to a:

- $87 million decrease in our Regulated Businesses segment due to a $65 million charge recorded in the third quarter of 2016, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia, and a $22 million benefit recorded in the third quarter of 2017, resulting from an insurance settlement with one of our general liability insurance carriers also related to this matter in West Virginia; and a
- $6 million increase in our Regulated Business segment principally due to increases in production costs, employee-related costs and operating supplies and services; partially offset by a
- $38 million decrease in our Market-Based Businesses primarily due to lower capital upgrades in our Military Services Group, as discussed above, partially offset by incremental costs associated with growth in our Homeowner Services Group.

Depreciation and amortization. For the three and nine months ended September 30, 2017, depreciation and amortization expense increased primarily due to additional utility plant placed in service.

General taxes. For the three and nine months ended September 30, 2017, general taxes decrease largely due to property tax refund credits in our Pennsylvania subsidiary.

Other income (expenses). For the three and nine months ended September 30, 2017, other income (expenses) increased principally due to: (i) an increase in interest expense from the issuance of long-term debt in the fourth quarter of 2016 and in the third quarter of 2017; (ii) a $6 million early debt extinguishment charge at the parent company; and (iii) additional interest expense incurred on long-term debt that was refinanced in August 2017, but did not mature until October 2017.

Provision for income taxes. For the three and nine months ended September 30, 2017, our provision for income taxes increased primarily due to higher pretax income and two discrete tax adjustments of $4 million and $3 million recorded at the parent company in the second and third quarters of 2017, associated with legislative changes in the States of New York and Illinois impacting state tax apportionment.

Segment Results of Operations

Our segments are determined based on how we assess performance and allocate our resources. We evaluate the performance of our segments and allocate resources based on several factors, with the primary measure being income from continuing operations.

We conduct our business primarily through one reportable segment, our Regulated Businesses segment. We also operate several businesses that provide a broad range of related and complementary water and wastewater services within four operating segments that individually do not meet the criteria of a reportable segment in accordance with GAAP. These four non-reportable operating segments are collectively presented as our "Market-Based Businesses", which is consistent with how management assesses the results of our businesses.

Regulated Businesses Segment

The following table summarizes certain financial information for our Regulated Businesses segment:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)								
Operating revenues	$ 842	$ 826	$ 16	1.9 %	$2,247	$2,176	$ 71	3.3 %
Operation and maintenance	262	350	(88)	(25.1)%	800	881	(81)	(9.2)%
Total operating expenses, net	433	521	(88)	(16.9)%	1,327	1,385	(58)	(4.2)%
	212	152	60	39.5 %	446	374	72	19.3 %

Net income attributable to common stockholders

Operating revenues. The following tables and discussion provide explanation of the variances related to the three components of operating revenues—water services revenues, wastewater services revenues and other revenues:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)								
Billed water services:								
Residential	$ 477	$ 468	$ 9	1.9 %	$1,244	$1,199	$ 45	3.8 %
Commercial	176	172	4	2.3 %	453	436	17	3.9 %
Industrial	37	38	(1)	(2.6)%	103	101	2	2.0 %
Public and other	96	94	2	2.1 %	262	253	9	3.6 %
Other water revenues	6	16	(10)	(62.5)%	31	42	(11)	(26.2)%
Billed water services	792	788	4	0.5 %	2,093	2,031	62	3.1 %
Unbilled water services	—	(4)	4	(100.0)%	8	23	(15)	(65.2)%
Total water services revenues	792	784	8	1.0 %	2,101	2,054	47	2.3 %
Wastewater services revenues	36	28	8	28.6 %	106	83	23	27.7 %
Other revenues	14	14	—	— %	40	39	1	2.6 %
Total operating revenues	$ 842	$ 826	$ 16	1.9 %	$2,247	$2,176	$ 71	3.3 %

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)								
Billed water services volumes:								
Residential	53,928	55,108	(1,180)	(2.1)%	131,488	132,453	(965)	(0.7)%
Commercial	24,913	25,170	(257)	(1.0)%	61,793	62,273	(480)	(0.8)%
Industrial	10,661	11,013	(352)	(3.2)%	29,218	29,194	24	0.1 %
Public and other	15,085	14,512	573	3.9 %	38,920	37,983	937	2.5 %
Billed water services volumes	104,587	105,803	(1,216)	(1.1)%	261,419	261,903	(484)	(0.2)%

For the three months ended September 30, 2017, operating revenues increased primarily due to a:

- $20 million increase from authorized rate increases and infrastructure surcharges to fund infrastructure investment growth in various states; and a
- $12 million increase attributable to recent water and wastewater acquisitions, as well as organic growth in existing systems; partially offset by a
- $19 million decrease due to lower water services demand, excluding the impact of completed acquisitions, including a $7 million reduction due to warmer weather in the third quarter of 2016.

For the nine months ended September 30, 2017, operating revenues increased primarily due to a:

- $67 million increase from authorized rate increases and infrastructure surcharges to fund infrastructure investment growth in various states;
- $31 million increase attributable to recent water and wastewater acquisitions, as well as organic growth in existing systems; and a
- $6 million increase in wastewater services, excluding the impact of completed acquisitions, resulting from higher treatment volumes, as well as an increase in private fire service connections; partially offset by a

- $36 million decrease due to lower water services demand, excluding the impact of completed acquisitions, including a $12 million reduction due to overall warmer weather in 2016.

Operation and maintenance. The following table summarizes information regarding the components of operation and maintenance expense:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)								
Production costs	$ 87	$ 86	$ 1	1.2 %	$ 224	$ 220	$ 4	1.8 %
Employee-related costs	112	107	5	4.7 %	334	328	6	1.8 %
Operating supplies and services	51	50	1	2.0 %	150	149	1	0.7 %
Maintenance materials and supplies	15	16	(1)	(6.3)%	49	46	3	6.5 %
Customer billing and accounting	14	17	(3)	(17.6)%	37	41	(4)	(9.8)%
Other	(17)	74	(91)	(123.0)%	6	97	(91)	(93.8)%
Total	$ 262	$ 350	$ (88)	(25.1)%	$ 800	$ 881	$ (81)	(9.2)%

For the three months ended September 30, 2017, operation and maintenance expense decreased primarily due to a:

- $91 million decrease in other operation and maintenance expense principally due to a $65 million charge recorded in the third quarter of 2016, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia, and a $22 million benefit recorded in the third quarter of 2017, resulting from an insurance settlement with one of our general liability insurance carriers also related to this matter in West Virginia; as well as lower casualty insurance expense attributable to a decrease in historical claims experience; and a
- $3 million decrease in customer billing and accounting largely due to a decrease in customer uncollectible expense resulting from focused collection efforts; partially offset by a
- $5 million increase in employee-related costs primarily due to higher pension expense resulting from a decrease in the discount rate and increased plan obligations, as well as higher other postretirement benefit plan expense resulting from plan amendments approved in the third quarter of 2016; and a
- $1 million increase in operating supplies and services principally due to a $5 million write-off recorded in the third quarter of 2016, related to timekeeping system costs that were previously capitalized, partially offset by higher contracted services expense.

For the nine months ended September 30, 2017, operation and maintenance expense decreased primarily due to a:

- $91 million decrease in other operation and maintenance expense principally due to a $65 million charge recorded in the third quarter of 2016, resulting from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill in West Virginia, and a $22 million benefit recorded in the third quarter of 2017, resulting from an insurance settlement with one of our general liability insurance carriers also related to this matter in West Virginia; as well as lower casualty insurance expense attributable to a decrease in historical claims experience; and a
- $4 million decrease in customer billing and accounting largely due to a decrease in customer uncollectible expense resulting from focused collection efforts; partially offset by a
- $4 million increase in production costs primarily due to purchased water price and usage increases in our California subsidiary, as well as fuel and power price increases;
- $6 million increase in employee-related costs primarily due to higher pension expense resulting from a decrease in the discount rate and increased plan obligations, as well as higher compensation expense in support of the growth of the business;
- $1 million increase in operating supplies and services principally due to a $5 million write-off of timekeeping system costs that were previously capitalized and a $7 million judgment in litigation, both recorded in the third quarter of 2016, partially offset by higher contracted services expense; and a

- $3 million increase in maintenance materials and supplies largely due to the timing of maintenance activities.

Operating expenses, net. For the three and nine months ended September 30, 2017, operating expenses, net decreased primarily due to the decrease in operating and maintenance expense as explained above, as well a $3 million decrease in property taxes in our Pennsylvania subsidiary from credit refunds and a $7 million gain recognized on a land sale in our Kentucky subsidiary, partially offset by higher depreciation and amortization expense of $10 million and $29 million, respectively, due to additional utility plant placed in service.

Market-Based Businesses

The following table summarizes certain financial information for our Market-Based Businesses:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)								
Operating revenues	$ 100	$ 109	$ (9)	(8.3)%	$ 306	$ 338	$ (32)	(9.5)%
Operation and maintenance	75	92	(17)	(18.5)%	247	285	(38)	(13.3)%
Total operating expenses, net	80	98	(18)	(18.4)%	263	300	(37)	(12.3)%
Net income attributable to common stockholders	14	7	7	100.0 %	29	26	3	11.5 %

Operating revenues. For the three months ended September 30, 2017, operating revenues decreased primarily due to a:

- $12 million decrease in our Military Services Group principally due to lower capital upgrades in 2017, largely from reduced military base budgets; partially offset by a
- $5 million increase in our Homeowner Services Group from customer growth and price increases for existing customers.

For the nine months ended September 30, 2017, operating revenues decreased primarily due to a:

- $49 million decrease in our Military Services Group principally due to lower capital upgrades in 2017, largely from reduced military base budgets, and the completion of a large project in mid-2016 at Fort Polk; partially offset by a
- $15 million increase in our Homeowner Services Group from customer growth and price increases for existing customers.

Operation and maintenance. The following table summarizes information regarding the components of operation and maintenance expense:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
(In millions)								
Production costs	$ 9	$ 10	$ (1)	(10.0)%	$ 28	$ 27	$ 1	3.7 %
Employee-related costs	21	24	(3)	(12.5)%	69	72	(3)	(4.2)%
Operating supplies and services	26	38	(12)	(31.6)%	84	128	(44)	(34.4)%
Maintenance materials and supplies	13	18	(5)	(27.8)%	54	51	3	5.9 %
Other	6	2	4	200.0 %	12	7	5	71.4 %
Total	$ 75	$ 92	$ (17)	(18.5)%	$ 247	$ 285	$ (38)	(13.3)%

For the three months ended September 30, 2017, operation and maintenance expense decreased primarily due to a:

- $12 million decrease in operating supplies and services primarily due to lower capital upgrades in our Military Services Group in 2017, as discussed above, as well as lower advertising and marketing expense in our Homeowners Services Group; and a
- $5 million decrease in maintenance materials and supplies principally due to the timing of claims activity in our Homeowners Services Group, as well as the volume and timing of specific maintenance activities; partially offset by a

- $4 million increase in other operation and maintenance expense largely due to an increase in customer uncollectible expense and billing and collection fees, primarily in our Homeowner Services Group.

For the nine months ended September 30, 2017, operation and maintenance expense decreased primarily due to a:

- $44 million decrease in operating supplies and services primarily due to lower capital upgrades in our Military Services Group in 2017, as discussed above, as well as lower advertising and marketing expense in our Homeowners Services Group; partially offset by a
- $5 million increase in other operation and maintenance expense largely due to an increase in customer uncollectible expense and billing and collection fees, principally in our Homeowner Services Group.

Liquidity and Capital Resources

For a general overview of our sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources contained in our Form 10-K.

We fund liquidity needs for capital investment, working capital and other financial commitments through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowing under the American Water Capital Corp. ("AWCC") revolving credit facility. The revolving credit facility provides $1.75 billion in aggregate total commitments from a diversified group of financial institutions with an expiration date of June 2020 (subject to extension by us for up to two one-year periods). We regularly evaluate the capital markets and closely monitor the financial condition of the financial institutions with contractual commitments in our revolving credit facility.

In order to meet our short-term liquidity needs, we, through AWCC, our wholly owned financing subsidiary, issue commercial paper, which is supported by our revolving credit facility. As of September 30, 2017, AWCC had no outstanding borrowings and $86 million of outstanding letters of credit under the revolving credit facility, with $1.66 billion available to fulfill our short-term liquidity needs and to issue letters of credit. As of September 30, 2017, the revolving credit facility supported $103 million in outstanding commercial paper. We believe that our ability to access the capital markets, our revolving credit facility and our cash flows from operations will generate sufficient cash to fund our short-term requirements. However, we can provide no assurances that the lenders will meet their existing commitments to AWCC under the credit facility or that we will be able to access the commercial paper or loan markets in the future on terms acceptable to us or at all.

On August 10, 2017, AWCC completed a $1,350 million debt offering which included the sale of $600 million aggregate principal amount of its 2.95% Senior Notes due in 2027 and $750 million aggregate principal amount of its 3.75% Senior Notes due in 2047. At the closing of the offering, AWCC received, after deduction of underwriting discounts and debt issuance costs, $1,333 million. On September 13, 2017, AWCC used proceeds from the offering: (i) to prepay $138 million of its outstanding 5.62% Series C Senior Notes due December 21, 2018 ("Series C Senior Notes") and $181 million of its outstanding 5.77% Series D Senior Notes due December 21, 2021 ("Series D Senior Notes"); (ii) to repay commercial paper obligations; and (iii) for general corporate purposes. Subsequently, AWCC used proceeds from the offering to repay at maturity, $524 million of its 6.085% Senior Notes on October 15, 2017. In addition, the Company repaid $33 million of 7.08% subsidiary debt at maturity on November 1, 2017.

As a result of AWCC's prepayment of the Series C and Series D Senior Notes and payment of a make-whole premium to the holders thereof of $34 million, we recorded an early debt extinguishment charge of $6 million, which was associated with the portion of the debt allocable to our parent company. Substantially all of the early debt extinguishment costs allocable to our utility subsidiaries were recorded as regulatory assets that we believe are probable of recovery in future rates.

On August 7, 2017, we terminated four forward starting swap agreements with an aggregate notional amount of $300 million, realizing a gain of $19 million to be amortized through interest, net over 30 years. We have one remaining forward swap agreement, which was entered into on February 8, 2017, with a notional amount of $100 million to reduce interest rate exposure for a portion of the expected refinancing of AWCC's Series C Senior Notes. This forward starting swap agreement terminates in November 2018 and has an average fixed rate of 2.67%. We have designated this forward starting swap agreement as a cash flow hedge with its fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

On October 15, 2017, our interest rate swap to hedge $100 million of AWCC's 6.085% Senior Notes matured. See Note 6—Long-Term Debt in the Notes to Consolidated Financial Statements for further information.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the third quarter of each fiscal year. The following table provides a summary of the major items affecting cash flows provided by our operating activities:

	For the Nine Months Ended September 30,	
	2017	2016
(In millions)		
Net income	$ 427	$ 367
Add (less):		
Non-cash activities (a)	659	598
Changes in working capital (b)	(64)	22
Pension and postretirement healthcare contributions	(36)	(42)
Net cash flows provided by operations	$ 986	$ 945

(a) Includes depreciation and amortization, deferred income taxes and amortization of deferred investment tax credits, provision for losses on accounts receivable, gain on asset dispositions and purchases, pension and non-pension postretirement benefits expense and other non-cash, net. Details of each component can be found in the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net.

For the nine months ended September 30, 2017, the increase in cash flows from operating activities, as compared to the same period in 2016, is primarily due to an increase in net income after non-cash adjustments. The main factors contributing to the net income increase are described in this section under "Comparison of Consolidated Results of Operations" and included higher operating revenue and lower operation and maintenance expense. The increase in non-cash activities was mainly the result of an increase in depreciation and amortization attributable to infrastructure investment projects placed into service and an increase in deferred income taxes.

The change in working capital was primarily the result of the following: (i) timing of accounts payable and accrued liabilities, including the accrual recorded during the third quarter of 2016 for costs associated with the binding global agreement in principle as to settlement of claims related to the Freedom Industries chemical spill in West Virginia; (ii) the $34 million make-whole premium paid on early debt extinguishment associated with the prepayment of $138 million of outstanding Series C Senior Notes and $181 million of outstanding Series D Senior Notes; (iii) a decrease in unbilled revenues as a result of our Military Services Group achieving significant capital project milestones during 2016; and (iv) change in other current assets and liabilities, including an increase in prepaid taxes, partially offset by the decrease of other current assets associated with the termination of our four forward starting swap agreements.

Cash Flows Used in Investing Activities

The following table provides information regarding cash flows used in our investing activities:

	For the Nine Months Ended September 30,	
	2017	2016
(In millions)		
Net capital expenditures	$ (964)	$ (928)
Acquisitions	(10)	(29)
Other investing activities, net (a)	(47)	(57)
Net cash flows used in investing activities	$ (1,021)	$ (1,014)

(a) Includes removal costs from property, plant and equipment retirements, net, proceeds from sale of assets and net funds restricted.

For the nine months ended September 30, 2017, cash used in investing activities increased primarily due to continued investment across all infrastructure categories, mainly replacement and renewal of transmission and distribution infrastructure in our Regulated Businesses, partially offset by decreased cash used for acquisitions. We expect investments of approximately $1.65 billion in 2017 for capital expenditures and acquisitions. Construction of our new corporate headquarters building in Camden, New Jersey is underway. The cost of construction is currently estimated to be up to $164 million, exclusive of any tax incentives, of which $72 million is expected to be incurred in 2017. During the nine months ended September 30, 2017, we spent approximately $36 million towards this construction.

Cash Flows Provided by Financing Activities

The following table provides information regarding cash flows provided by our financing activities:

	For the Nine Months Ended September 30,	
	2017	2016
(In millions)		
Proceeds from long-term debt	$ 1,382	$ 2
Repayments of long-term debt	(334)	(20)
Net proceeds from short-term borrowings	(746)	322
Dividends paid	(215)	(194)
Anti-dilutive stock repurchases	(54)	(65)
Other financing activities, net (a)	20	25
Net cash flows provided by financing activities	$ 53	$ 70

(a) Includes proceeds from issuances of common stock under various employee stock plans and our dividend reinvestment plan, advances and contributions for construction, net of refunds, taxes paid related to employee stock plans and debt issuance costs.

For the nine months ended September 30, 2017, the decrease in cash flows provided by financing activities, as compared to the same period in 2016, is primarily due to the increase in cash used for dividend payments in 2017. Additionally, the Company issued approximately $1,333 million of long-term debt, after deduction of underwriting discounts and debt issuance costs, as part of the August 10, 2017 debt financing, of which approximately $319 million was used for the early extinguishment of pre-existing long-term debt. Additional proceeds from the debt financing were used for the repayment of pre-existing short-term borrowings, resulting in a net cash outflow for the nine months ended September 30, 2017 of $746 million.

Credit Facilities and Short-Term Debt

The following table summarizes information regarding our aggregate credit facility commitments, letter of credit sub-limits and available funds under those revolving credit facilities, as well as outstanding amounts of commercial paper and outstanding borrowings under the respective facilities as of September 30, 2017:

	Credit Facilities Commitment (a)	Available Credit Facility Capacity (a)	Letter of Credit Sublimit	Available Letter of Credit Capacity	Commercial Paper Limit	Available Commercial Paper Capacity
(In millions)						
September 30, 2017	$ 1,762	$ 1,669	$ 150	$ 86	$ 1,600	$ 1,497

(a) Includes amounts related to the revolving credit facility of Keystone Clearwater Solutions, LLC ("Keystone"), our water management solutions subsidiary. As of September 30, 2017, the total commitment under the Keystone revolving credit facility was $12 million, of which $5 million was available for borrowing, subject to compliance with a collateral base calculation. At September 30, 2017, there were no outstanding borrowings under this credit facility.

The weighted-average interest rate on AWCC short-term borrowings for three months ended September 30, 2017 and 2016 was approximately 1.38% and 0.78%, respectively. The weighted-average interest rate on AWCC short-term borrowings for the nine months ended September 30, 2017 and 2016 was approximately 1.19% and 0.76%, respectively.

Capital Structure

The following table indicates the percentage of our capitalization represented by the components of our capital structure as of the dates set forth below:

	September 30, 2017	December 31, 2016

Total common stockholders' equity	42.5%	42.1%
Long-term debt and redeemable preferred stock at redemption value	51.4%	46.4%
Short-term debt and current portion of long-term debt	6.1%	11.5%
	100%	100%

Debt Covenants

Our debt agreements contain financial and non-financial covenants. To the extent that we are not in compliance with these covenants, an event of default may occur under one or more debt agreements and we or our subsidiaries may be restricted in our ability to pay dividends, issue new debt or access our revolving credit facility. Our long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Our failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require us to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On September 30, 2017, our ratio was 0.58 to 1.00 and therefore we were in compliance with the covenants.

Security Ratings

Our access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by our securities ratings. We primarily access the debt capital markets, including the commercial paper market, through AWCC. However, we have also issued debt through our regulated subsidiaries, primarily in the form of tax exempt securities or borrowings under state revolving funds, to lower our overall cost of debt.

Our long-term and short-term credit ratings as of September 30, 2017:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Senior unsecured debt	A3	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon our ability to generate cash flows in an amount sufficient to service our debt and meet our investment plans. We can provide no assurances that our ability to generate cash flows is sufficient to maintain our existing ratings. None of our borrowings are subject to default or prepayment as a result of a downgrading of these security ratings, although such a downgrading could increase fees and interest charges under our credit facility.

Dividends

On September 1, 2017, we paid a cash dividend of $0.415 per share to our stockholders of record as of August 9, 2017.

On October 31, 2017, our Board of Directors declared a quarterly cash dividend payment of $0.415 per share payable on December 1, 2017 to stockholders of record as of November 10, 2017. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividends in our Form 10-K for more information regarding restrictions on the payment of dividends on our common stock.

Application of Critical Accounting Policies and Estimates

Our financial condition, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in our Form 10-K for a discussion of our critical accounting policies.

Recent Accounting Standards

See Note 2—New Accounting Standards to the Notes to Consolidated Financial Statements included in Part I, Item 1—Consolidated Financial Statements of this Quarterly Report on Form 10-Q for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. For a discussion of our exposure to market risk, refer to Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk contained in our Form 10-K. Except as described below, there have been no significant changes to our exposure to market risk since December 31, 2016.

On February 8, 2017, we entered into a forward starting swap agreement with a notional amount of $100 million to reduce interest rate exposure on debt expected to be issued in 2018. This forward starting swap agreement terminates in November 2018 and has an average fixed rate of 2.67%. A hypothetical one hundred basis point change in the forward starting swap rates would have resulted in a $21 million increase or decrease in fair value of this swap agreement for the nine months ended September 30, 2017.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2017.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2017, our disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

We concluded that there have been no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in our Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in our Form 10-K.

Alternative Water Supply in Lieu of Carmel River Diversions

Regional Desalination Project Litigation

Following the court's disposition of a related issue in another case, MCWD's petition to the Supreme Court of California for review of the CPUC approval of a settlement agreement resolving matters among the signatory parties has been remanded to the CPUC, and remains pending.

Trial has been set for June 18, 2018 in the consolidated action in San Francisco County Superior Court associated with the failure of the RDP.

Monterey Peninsula Water Supply Project

On January 12, 2017, the CPUC issued a Draft Environmental Impact Report/Environmental Impact Statement. The comment period for this report expired March 29, 2017 and a final report is expected to be issued in the first quarter of 2018.

The CPUC has set hearings for October 25 through November 3, 2017 on Cal Am's request for a certificate of public convenience and necessity for the Water Supply Project.

After conducting a trial on August 30, 2017 for all matters raised in MCWD's November 2015 challenge to the amendment of Cal Am's coastal development permits for the test slant well, other than claims that had been denied by the court in September 2016, the court on October 3, 2017 denied all of MCWD's claims with respect to these matters.

On July 13, 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property on which intake wells will be located to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. If the test slant well is to remain at the site and be used as part of the Water Supply Project, as currently proposed, Cal Am will likely need to seek an amendment and extension of its coastal development permit to allow the test slant well to remain and be maintained in the interim period until the Water Supply Project is operational. Cal Am will also need to seek an extension of its current lease for the test slant well with the State Lands Commission. This lease expires on December 16, 2017. Cal Am has filed an application for extension of this lease with the State Lands Commission, and approval of the application is to be considered at its November 29, 2017 meeting.

Based on the foregoing, including the information contained in our Form 10-K with respect to the Water Supply Project (other than as updated in this Form 10-Q), Cal Am estimates that the earliest date by which the Water Supply Project desalination plant could be completed is sometime in 2021. There can be no assurance that Cal Am's application for the Water Supply Project will be approved or that the Water Supply Project will be completed on a timely basis, if ever. Furthermore, there can be no assurance that Cal Am will be able to comply with the diversion reduction requirements and other remaining requirements under the 2009 Order and the 2016 Order, or that any such compliance will not result in material additional costs or obligations to Cal Am or the Company.

California Public Utilities Commission Residential Rate Design Proceeding

Hearings before the administrative law judge in this proceeding took place in August and September 2017, and a subsequent hearing is currently scheduled for November 27, 2017. Cal Am also submitted additional testimony on the issue of whether Cal Am should be penalized, and if so, the reasonable amount of any such penalty.

West Virginia Elk River Freedom Industries Chemical Spill

Preliminary Approval of WVAWC Global Class Action Litigation Settlement

On September 21, 2017, the court in the Federal action issued an order granting preliminary approval of a settlement class and proposed class action settlement (the "Settlement") with respect to claims against the American Water Defendants by all putative class members (collectively, the "Plaintiffs") for all claims and potential claims arising out of the January 9, 2014 Freedom Industries, Inc. chemical spill into the Elk River in West Virginia. Preliminary approval was granted after the parties to the Settlement filed with the court in the Federal action a proposed amended global agreement and related materials on August 25, 2017 addressing the matters set forth in the court's July 6, 2017 order denying without prejudice the joint motion for preliminary approval of the Settlement.

The Settlement covered by the order proposes a global resolution of all federal and state litigation and potential claims against the American Water Defendants and their insurers. Under the terms and conditions of the Settlement and the proposed amended settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved. Under federal class action rules, a claimant may elect to opt out of the final Settlement, in which case such claimant will not receive any benefit from or be bound by the terms of the Settlement. The American Water Defendants would have the right to withdraw from the Settlement if more than a certain number of putative class members opt out of the Settlement. The deadline imposed by the court in the Federal action for any Plaintiff to opt out of the Settlement or file an objection to the Settlement is December 8, 2017.

The proposed aggregate pre-tax amount of the Settlement with respect to the Company remains at $126 million. However, the aggregate portion of the Settlement to be contributed by WVAWC, net of insurance recoveries, has been reduced from $65 million to $43 million (approximately $26 million after-tax) due to the recent settlement with one of the Company's general liability insurance carriers, as discussed below. This reduction will apply to WVAWC's contributions to the guaranteed fund. The contribution by another defendant to the Settlement remains at $25 million. If any final approval order by the court with respect to the Settlement is appealed and such appeal would delay potential payment to claimants under the Settlement, WVAWC and the other defendant to the Settlement will contribute up to $50 million and $25 million, respectively, to the Settlement (not including, in the case of WVAWC, any contributions by the Company's general liability insurance carriers which would not be made until such time as a final, non-appealable order is issued) into an escrow account during the pendency of such appeals. For certain claims, WVAWC and the other defendant to the Settlement may, in lieu of these escrowed contributions, make advance payments of such claims if agreed to by the parties. All administrative expenses of the Settlement and attorneys' fees of class counsel related thereto would be paid from the funds designated to pay claims covered by the Settlement.

Notice of the terms of the Settlement to members of the settlement class commenced on October 11, 2017 and is expected to be completed by November 8, 2017. Following the notice period, the court will hold a fairness hearing to consider final approval of the Settlement, which is currently scheduled to be held on January 9, 2018. There can be no assurance that the Settlement will not be amended further or that the court will provide its final approval as to any agreement negotiated between the parties reflecting the terms of the Settlement.

The court in the Federal action has currently postponed a trial indefinitely in light of the preliminary approval of the Settlement and the global settlement agreement described above, and the Mass Litigation Panel stayed its proceedings until January 23, 2018.

Two of the Company's insurance carriers that provide an aggregate of $50 million in insurance coverage to the Company under its general liability policies, had been originally requested, but at the time of the initial filing of the binding agreement in principle with the court in the Federal action in October 2016, had not agreed, to participate in the Settlement. WVAWC had filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constituted a breach of contract. On September 19, 2017, the Company and the insurance carrier settled this lawsuit for $22 million, out of a maximum of $25 million in potential coverage under the terms of the relevant policy, in exchange for a full release by the Company and WVAWC of all claims against the insurance carrier related to the Freedom Industries chemical spill, and the parties agreed to stay this litigation pending final approval of the Settlement. The settlement with the insurance carrier reduced the total amount of WVAWC's potential contributions to the Settlement from $65 million to $43 million. In the third quarter of 2017, WVAWC recorded an additional insurance receivable of $22 million, resulting in an after-tax benefit of $13 million.

The Company and WVAWC continue to pursue vigorously their rights to insurance coverage for contributions by WVAWC to the Settlement in mandatory arbitration with the remaining non-participating carrier. This arbitration proceeding remains pending. Despite these efforts, the Company may not ultimately be successful in obtaining further reimbursement under the remaining insurance policy for amounts that WVAWC may be required to contribute to the Settlement.

Dunbar, West Virginia Water Main Break Class Action Litigation

On October 12, 2017, WVAWC filed with the court a motion seeking to dismiss all of the plaintiffs' counts alleging statutory and common law tort claims. Furthermore, WVAWC asserts that the PSC, and not the court, has primary jurisdiction over allegations involving violations of the applicable tariff, the public utility code and related rules. This motion remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. While WVAWC and the Company are unable to predict the outcome of this matter, an adverse outcome could have a material adverse effect on the Company's financial condition, results of operations, cash flows, liquidity and/or reputation.

Contract Operations Group -- East Palo Alto Water System Voluntary Report

By letter dated October 4, 2017, the SWRCB advised AWE that it is in compliance with all of the directives and relevant statutory and administrative provisions specified in the SWRCB's June 15, 2017 citation. While AWE has completed all required compliance activities with respect to the citation, the SWRCB has previously reserved the right to take additional enforcement action. Proven violations of the CSDWA may result in civil and criminal penalties. AWE continues to cooperate with the SWRCB, the City of East Palo Alto and other authorities regarding this matter.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in our Form 10-K, and in our other public filings, which could materially affect our business, financial condition or future results. There have been no material changes from risk factors previously disclosed in Part I, Item 1A—Risk Factors in our Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during three months ended September 30, 2017. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through September 30, 2017, the Company repurchased an aggregate of 3,950,000 shares of common stock under the program, leaving an aggregate of 6,050,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2015).
4.1	Officers' Certificate of American Water Capital Corp., dated August 10, 2017, establishing the terms of its 2.95% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.2	Officers' Certificate of American Water Capital Corp., dated August 10, 2017, establishing the terms of its 3.75% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
10.1	American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 333-219682, filed August 4, 2017).
*31.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of Susan N. Story, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of Linda G. Sullivan, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
*101	The following financial statements from American Water Works Company, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017, filed with the Securities and Exchange Commission on November 1, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Stockholders' Equity; and (vi) the Notes to Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 1st day of November, 2017.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ SUSAN N. STORY
Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

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Section 2: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Susan N. Story, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of

financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2017

By: /s/ SUSAN N. STORY

Susan N. Story

President and Chief Executive Officer
(Principal Executive Officer)

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Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Linda G. Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2017

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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Section 4: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan N. Story, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ SUSAN N. STORY

Susan N. Story
President and Chief Executive Officer
(Principal Executive Officer)
November 1, 2017

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Section 5: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Linda G. Sullivan, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ LINDA G. SULLIVAN

Linda G. Sullivan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
November 1, 2017

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Section 1: 8-K (FORM 8-K - TAX CUTS AND JOBS ACT)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 2, 2018

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

Information contained in Item 7.01 below, including Exhibit 99.1 hereto, with respect to the fiscal year ended December 31, 2017 of American Water Works Company, Inc. (the "Company"), is incorporated by reference herein.

The information furnished in response to this Item 2.02, including Exhibit 99.1 hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD.

Enactment of the Tax Cuts and Jobs Act

On December 11, 2017, the Company furnished to the Securities and Exchange Commission a current report on Form 8-K and issued a press release that (i) included information regarding the Company's GAAP and adjusted earnings per share guidance for the 2017 fiscal year; (ii) provided GAAP earnings per share and other financial and operational guidance for the 2018 fiscal year; and (iii) provided a projected range for its compound annual growth rate in earnings per share and other financial and operational guidance for the five-year period from 2018 to 2022 (collectively, the "Company Guidance"). On December 22, 2017, President Donald J. Trump signed into law what is commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"), which, among other things, enacted significant changes to the Internal Revenue Code of 1986, as amended, including a reduction in the maximum U.S. federal corporate income tax rate from 35% to 21% as of January 1, 2018, and certain other provisions related specifically to the public utility industry, most significantly allowing the continuation of certain interest expense deductibility and excluding 100% expensing of capital investments. When issued, the Company Guidance did not, and it currently does not, take into account or reflect the changes in law set forth in the TCJA.

On January 2, 2018, the Company issued a press release announcing that the enactment of the TCJA, and the adoption or issuance of any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury with respect thereto (collectively, the "Related Interpretations"), may materially impact the Company's guidance and results of operations to be reported for fiscal 2017, and its expectations for future financial and operational performance contained in the Company Guidance, as well as the estimates, assumptions and sensitivities upon which the Company Guidance was based. The Company cannot currently estimate or quantify the impact of the enactment of the TCJA or any Related Interpretations, if and when issued, on the Company Guidance.

The Company is required to revalue its deferred tax assets and liabilities, including its U.S. federal income tax net operating losses, at the new federal corporate income tax rate as of the date of enactment of the TCJA, or December 22, 2017. Most of the Company's consolidated deferred tax assets and liabilities, as well as a portion of its U.S. federal net operating losses, are held at the Company's utility subsidiaries. The majority of the deferred tax assets and liabilities at the utility subsidiaries are subject to a normalization method of accounting pursuant to the Code and/or applicable public utility commission regulation. As a result, the revaluation of the utility subsidiaries' net deferred taxes is expected to result in a regulatory liability that would be returned to utility customers over the remaining life of the related assets and liabilities and would not be expected to materially impact the Company's results of operations under the normalization process. The revaluation of deferred tax assets and U.S. federal net operating losses held at the parent company and other non-utility subsidiaries is expected to result in a potentially material charge to the Company's results of operations for fiscal 2017. The Company will continue to assess the impact of the TCJA and any Related Interpretations, if and when issued, on the Company Guidance and the Company's other forward-looking information, as well as the regulatory treatment of the TCJA in each of its 16 regulatory jurisdictions. The Company expects to provide an estimate of the impacts of the TCJA in conjunction with the filing of its Annual Report on Form 10-K for the year ended December 31, 2017 and related disclosures, expected in February 2018.

The information furnished in response to this Item 7.01, including Exhibit 99.1 hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend,"

“plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could,” or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the impact and effect of the TCJA and any Related Interpretations, if and when issued, on the Company Guidance, and the related estimates, assumptions and sensitivities on which the Company Guidance was based, as well as on the Company’s results of operations to be reported for fiscal 2017. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events, including the impact of the TCJA and the issuance of any Related Interpretations. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company’s Form 10-K for the year ended December 31, 2016, and in other filings with the SEC, and the additional risks and uncertainties described herein and in Exhibit 99.1 hereto.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company’s annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s or its subsidiaries’ businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit Number	Description
99.1	Press Release, dated January 2, 2018, issued by the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: January 2, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1 - TCJA PRESS RELEASE)

Exhibit 99.1

January 2, 2018

Ed Vallejo
Vice President, Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and Federal Affairs
856-309-4546
maureen.duffy@amwater.com

AMERICAN WATER STATEMENT ON IMPACT OF TAX CUTS AND JOBS ACT ON PRIOR GUIDANCE

VOORHEES, N.J., Jan. 2, 2018 - American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, has issued a statement related to the Tax Cuts and Jobs Act (TCJA), and the company's guidance previously issued on Dec. 11, 2017. The Company stated that the TCJA and any future Treasury rules, regulations or guidance, may materially impact the company's 2017 results of operations, as well as its expectations, and the related estimates, assumptions and sensitivities, for its future financial and operational performance disclosed in this prior guidance. As stated on the Dec. 11 guidance call, the company's prior guidance did not include the impact of any tax reform legislation.

The company expects to provide an estimate of the impact of the TCJA in conjunction with the filing of its Annual Report on Form 10-K for the year ended Dec. 31, 2017 and related information, expected in February 2018. Additional information on the preliminary impact of the TCJA may be found in the company's Form 8-K, filed with the SEC today.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,800 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting amwater.com.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, the impact and effect of the TCJA and any related Treasury regulations, rules or interpretations, if and when issued, on the company's Dec. 11 guidance, as well as on the Company's results of operations to be reported for fiscal 2017, are forward-looking statements within the meaning of the safe

harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could” and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended Dec. 31, 2016, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions’ actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, impacts pertaining to the TCJA, and other decisions; changes in laws, governmental regulations and policies, including public utility and tax regulations and policies; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; changes in general economic, political, business and financial market conditions; changes in Federal or state income, general and other tax laws, rules and regulations, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; the incurrence of impairment charges related to American Water’s goodwill or other assets; and the impact of new accounting standards or changes to existing standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company’s annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company’s businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Section 1: 8-K (FORM 8-K - DIRECTOR MATTERS)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 14, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) On Sunday, January 14, 2018, American Water Works Company, Inc. (the "Company") was notified by Paul J. Evanson, who was then a member of the Board of Directors of the Company (the "Board"), of his decision to resign from the Board for personal reasons, and not as a result of any disagreement with the Company regarding its policies, practices or operations, effective as of Wednesday, January 17, 2018. At the time of his resignation, Mr. Evanson was the Chair of the Executive Development and Compensation Committee and a member of the Finance and Risk Committee.

On Wednesday, January 17, 2018, the Board appointed its Chairman, George MacKenzie, to serve as a member and Chair of the Executive Development and Compensation Committee, and as a member of the Finance and Risk Committee.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: January 19, 2018

By: /s/ MICHAEL A. SGRO
Michael A. Sgro
Executive Vice President, General Counsel and Secretary

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Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 16, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
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(Former name or former address, if changed since last report)

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☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

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☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

Information contained in Item 7.01 below, including Exhibits 99.1 and 99.2 hereto, with respect to the fiscal year ended December 31, 2017 of American Water Works Company, Inc. (the "Company" or "American Water"), is incorporated by reference herein.

The information furnished in response to this Item 2.02, including Exhibits 99.1 and 99.2 hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD.

Additional Information on Estimated Impacts of the Tax Cuts and Jobs Act on Company Guidance

On January 2, 2018, the Company provided an initial statement (i) regarding the possibility that the enactment of the Tax Cuts and Jobs Act (the "TCJA") could have a material impact on the Company's results of operations for fiscal 2017 and its expectation for future financial and operational performance contained in guidance previously issued on December 11, 2017 ("Initial Guidance"), which Initial Guidance did not include estimated impacts associated with any tax reform legislation, and (ii) that the Company could not then estimate or quantify the impact of the enactment of the TCJA on the Initial Guidance. Enacted on December 22, 2017, the TCJA made significant and complex changes to U.S. tax law.

With the enactment of the TCJA, the Company undertook an analysis of the TCJA's impacts on the Company, which required consideration of, among other things, the (i) Company's multiple regulatory jurisdictions, (ii) the allocation of deferred tax assets and liabilities and other items among its regulated operations, its market-based businesses and the parent company; (iii) the impact of the TCJA on transactions that had been entered into in connection with the completion of the Company's separation from its former foreign parent entity in 2008; (iv) the impact of the TCJA on assets and liabilities that the Company's regulated operations have acquired and assumed through acquisitions; and (v) the interplay of the TCJA's impacts among the Company's various regulated, market-based and other entities, all of which is necessary to estimate the impact of the TCJA on the Company as a whole.

As a result of this analysis, the Company is providing estimates of the impact of the TCJA on the following guidance (collectively, the "Company Guidance"): (i) its GAAP and adjusted diluted earnings per share ("EPS") guidance range for the 2017 fiscal year; (ii) its GAAP EPS guidance range for the 2018 fiscal year; and (iii) its projected adjusted long-term EPS compound annual growth rate ("CAGR"), projected amount of capital expenditures, and projected long-term dividend growth rate, each for the five-year period from 2018 to 2022.

- *2017 EPS Guidance Ranges.* American Water's estimated 2017 GAAP EPS guidance range and its 2017 adjusted EPS guidance range, including the estimated impacts of the TCJA, are as follows:

Updated 2017 GAAP EPS guidance range:	$1.93 to $2.55
Affirmed 2017 Adjusted EPS guidance range (1)	$3.00 to $3.06

(1) The adjusted EPS guidance range excludes (i) a $0.07 per diluted share benefit from an insurance settlement related to the Freedom Industries, Inc. chemical spill in West Virginia, (ii) a $0.02 per diluted share charge from early extinguishment of debt at the parent company, and (iii) a non-cash charge in a range of $0.56 to $1.12 per diluted share resulting from the revaluation required by the TCJA of the Company's deferred tax assets and liabilities (other than the predominant majority of deferred tax assets and liabilities associated with its utility subsidiaries that are subject to a normalization method of accounting under U.S. tax law and/or applicable public utility commission regulation), including its U.S. federal income tax net operating losses, at the new U.S. federal corporate income tax rate of 21% as of December 22, 2017, the date of enactment of the TCJA.

- *Affirmed 2018 GAAP EPS Guidance Range*. American Water's 2018 GAAP EPS guidance range, including the estimated impacts of the TCJA, is $3.22 to $3.32 per diluted share, which is affirmed from its Initial Guidance.

- *Affirmed American Water's 2018-2022 Long-Term Guidance*. American Water's long-term guidance for the 2018-2022 period, including the estimated impacts of the TCJA, is affirmed from its Initial Guidance as follows:
    - Long-term adjusted EPS CAGR of 7% to 10%
    - Projected capital expenditures of $8.0 billion to $8.6 billion, with $7.2 billion projected for allocation to regulated system investments
    - Dividend growth forecast at the high end of the Company's long-term adjusted EPS CAGR target

  As part of the Company's 2018-2022 long-term guidance, and as previously stated in its Initial Guidance, the Company does not plan to issue additional equity during this period, under normal operating conditions.

  The Company also forecasts that, with respect to its 2018-2022 long-term guidance, the enactment of the TCJA will be accretive to its consolidated earnings through (i) growth in rate base for the same level of expected capital expenditures due to the impact of the lower U.S. federal corporate income tax rate and the revaluation of the Company's deferred tax assets and liabilities, and (ii) increased earnings in the Company's market-based businesses due to the lower U.S. federal corporate income tax rates, all partially offset by (iii) the impact of increased debt due to lower cash flows from operations.

- *Additional Information Regarding Company Guidance*. Additional information regarding the Company Guidance is set forth in the Earnings Guidance Slides attached hereto as Exhibit 99.2 and incorporated by reference herein.

On January 16, 2018, the Company issued a press release with respect to the foregoing information, a copy of which has been has been furnished as Exhibit 99.1 hereto and is incorporated by reference herein. The information furnished in response to this Item 7.01, including Exhibits 99.1 and 99.2 hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Key Assumptions and Limitations on Company Guidance

The Company Guidance herein is subject to the following key assumptions and limitations, which may cause the impacts of the TCJA to be different, potentially materially, from the Company's forecasts.

- All determinations have been made based on the enacted provisions of the TCJA, without regard to any further rules, regulations, interpretations or guidance with respect to the TCJA that may be adopted or issued by the U.S. Department of the Treasury or any state or local taxing authority (the "Related Interpretations"), and utilizing the best estimates available as of the date hereof. These estimates remain subject to change.
- The Company Guidance with respect to 2018 and the five-year period from 2018-2022 is subject to the following additional assumptions and limitations:
    - The Company will be able to deduct for U.S. federal corporate income tax purposes substantially all of its interest expense, based upon the Company's interpretation of U.S. tax law debt allocation methodologies applicable to public utilities, at the TCJA's 21% corporate income tax rate.
    - The predominant majority of the Company's deferred tax assets and liabilities at the utility subsidiaries remain subject to a normalization method of accounting pursuant to the Code and/or applicable public utility commission regulation. As such, the revaluation of those utility subsidiaries' net deferred taxes would be expected to result in a net regulatory liability that would be returned to utility customers over the remaining life of the related assets and liabilities and would not be expected to impact materially the Company's results of operations under the normalization process.
    - The impact of the TCJA is subject to regulatory action in the Company's regulated jurisdictions. A majority of the Company's 14 regulatory jurisdictions have already opened proceedings, or have provided notice of a future proceeding, to address the impact of the TCJA. In addition, the Company has open rate cases in several jurisdictions that may be impacted. The Company has assumed that regulatory actions will ultimately result in decisions that are consistent with the TCJA and its normalization provisions.
    - The Company Guidance does not reflect any future changes to state and local tax laws, rules or regulations resulting from or in connection with the enactment of the TCJA.
    - In addition to the assumptions and limitations herein, the 2018 GAAP EPS guidance range remains subject to the major variables set forth in the Company's Initial Guidance presentation.
- The Company's earnings forecasts generally are subject to numerous risks and uncertainties, including, without limitation, those described under "Cautionary Statement Concerning Forward-Looking Statements" below and under "Risk Factors" in its annual and quarterly reports filed with the Securities and Exchange Commission ("SEC").

Non-GAAP Financial Information

This Current Report on Form 8-K includes a presentation of 2017 adjusted EPS as an earnings guidance range ("Adjusted EPS"). This item constitutes a "non-GAAP financial measure" under SEC rules. This non-GAAP financial measure is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. Adjusted EPS is defined as GAAP earnings per diluted common share, respectively, excluding (1) the impact in the third quarter of 2017 of the insurance settlement related to the Freedom Industries chemical spill, (2) the early extinguishment of debt at the parent company in the third quarter of 2017, and (3) the non-cash charge in the fourth quarter of 2017 resulting from the revaluation of the Company's deferred tax assets and liabilities required by the TCJA. This non-GAAP financial measure supplements the Company's GAAP disclosures and should not be considered an alternative to the GAAP measure.

Management believes that the presentation of this non-GAAP financial measure is useful to American Water's investors because it projects baseline performance excluding items that are not considered by management to be reflective of ongoing operating results. Although management uses this non-GAAP financial measure internally to project American Water's results of operations, management does not intend these projected results excluding the adjustments to represent information as defined by GAAP, and the reader should not consider them as indicators of projected performance. The Company's definition of Adjusted EPS may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the impact and effect of the TCJA on the Company Guidance, and the related estimates, assumptions and sensitivities on which the Company Guidance was based, including without limitation those stated herein, as well as on the Company's results of operations to be reported for fiscal 2017. These forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events, including the impacts of the enactment of the TCJA on the Company, and the issuance of any Related Interpretations or any future changes by state or local taxing authorities. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company's Form 10-K for the year ended December 31, 2016, and in other filings with the SEC, and the additional risks, uncertainties, assumptions and limitations described herein and in Exhibit 99.2 hereto.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company's annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's or its subsidiaries' businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors stated throughout this Current Report on Form 8-K should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been furnished herewith:

Exhibit Number	Description
99.1	Press release, issued by the Company, dated January 16, 2018.
99.2	American Water Earnings Guidance slides, issued by the Company on January 16, 2018.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: January 16, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

January 16, 2018

Ed Vallejo
Vice President, Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and Federal Affairs
856-309-4546
Maureen.Duffy@amwater.com

AMERICAN WATER AFFIRMS 2018 GAAP EPS GUIDANCE RANGE OF $3.22 TO $3.32 PER DILUTED SHARE AND LONG-TERM ADJUSTED EPS COMPOUND ANNUAL GROWTH RATE OF 7 TO 10 PERCENT
COMPANY ALSO UPDATES 2017 GAAP EPS GUIDANCE AND AFFIRMS 2017 ADJUSTED EPS GUIDANCE

VOORHEES, N.J., Jan. 16, 2018 – American Water Works Company, Inc. (NYSE: AWK), the largest publicly-traded U.S. water and wastewater utility company, announced in a Form 8-K furnished to the SEC today an update to its previously issued earnings guidance, which includes estimated impacts of the Tax Cuts and Jobs Act (TCJA).

American Water's 2018 GAAP EPS guidance range, including the estimated impacts of the TCJA, is $3.22 to $3.32 per diluted share. This is the same GAAP EPS guidance range the company had provided in its initial guidance issued on Dec. 11, 2017 which did not include anticipated impacts of tax reform legislation.

American Water's long-term guidance for the 2018-2022 period, including the estimated impacts of the TCJA, is as follows:

- Long-term adjusted EPS CAGR of 7 to 10 percent
- Projected capital expenditures of $8.0 billion to $8.6 billion, with $7.2 billion projected for allocation to regulated system investments
- Dividend growth expected at the high end of the Company's long-term adjusted EPS CAGR target

The long-term guidance for the 2018-2022 period is also the same guidance the company provided in its initial guidance issued on Dec. 11, 2017 which did not include anticipated impacts of tax reform legislation.

As part of the company's 2018-2022 long-term guidance, the company does not plan to issue additional equity during this period, under normal operating conditions.

The company also updated its 2017 GAAP EPS guidance and affirmed its 2017 adjusted EPS guidance, including the estimated impacts of the TCJA. Additional information on the estimated impacts of the TCJA may be found in the company's Form 8-K, as furnished to the SEC today.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,800 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting amwater.com.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this press release are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could,” or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the impact and effect of the TCJA on the Company’s results of operations to be reported for fiscal 2017 and on the Company’s 2018 and long-term guidance, and the related estimates, assumptions and sensitivities on which such guidance was based. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events, including the impact of the TCJA and the issuance of any related rules, regulations or interpretations related thereto or any future changes by state or local taxing authorities. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company’s Form 10-K for the year ended December 31, 2016, in the Form 8-K furnished to the SEC today, and in other filings with the SEC, and the additional risks and uncertainties described herein.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company’s annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s or its subsidiaries’ businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors stated throughout this press release should not be construed as exhaustive.

Section 3: EX-99.2 (EX-99.2)

Exhibit 99.2

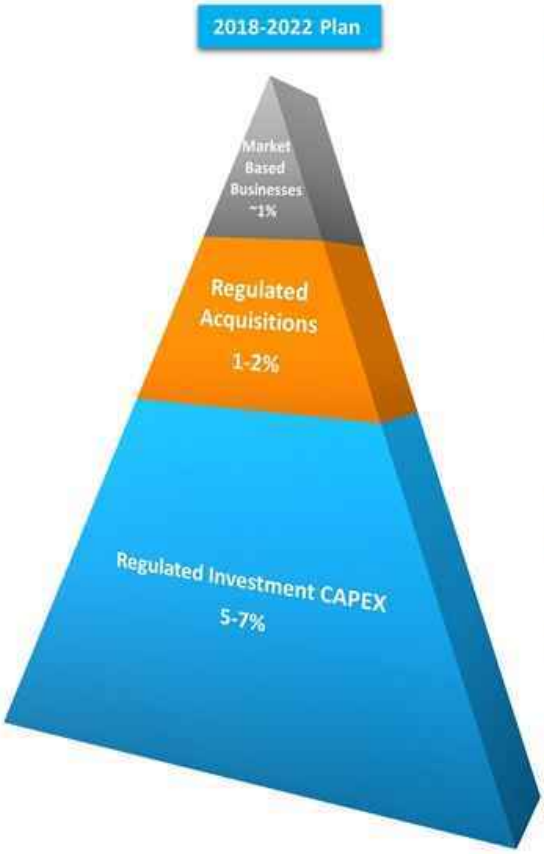
American Water Earnings Guidance
WE KEEP LIFE FLOWING™
AMERICAN WATER
NYSE: AWK

Forward-Looking Statements

Certain statements in this presentation including, without limitation, 2017 and 2018 earnings per share guidance, guidance on projected long-term financial and operational performance, the estimated and potential future impacts of enacted tax reform legislation and the assumptions and limitations upon which such estimates were based, the level of future capital expenditures, rate base and potential dividend growth, estimates regarding the company's projected financial condition, tax status and net operating loss position, and the impact of tax reform legislation on future capital raising activities, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2016, the Company's Form 8-K dated Jan. 16, 2018, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, and other decisions; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; potential costs and liabilities of American Water for environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, water management solutions focused on customers in the natural gas exploration and production market; the outcome of litigation and similar government actions, including matters related to the Freedom Industries chemical spill in West Virginia, and the preliminarily approved global class action settlement related to this chemical spill; weather conditions and events, climate change patterns, and natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its operational and information technology ("IT") systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers; exposure or infiltration of its critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber-attacks or other disruptions; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with, or otherwise obtain, new customers in its Market-based Businesses; cost overruns relating to improvements in or the expansion of its operations; its ability to maintain safe work sites; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or funding requirements or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income, general and other tax laws, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new accounting standards or changes to existing standards. These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this presentation. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

January 2018

Continue to deliver 7 – 10%* EPS Growth with Tax Reform

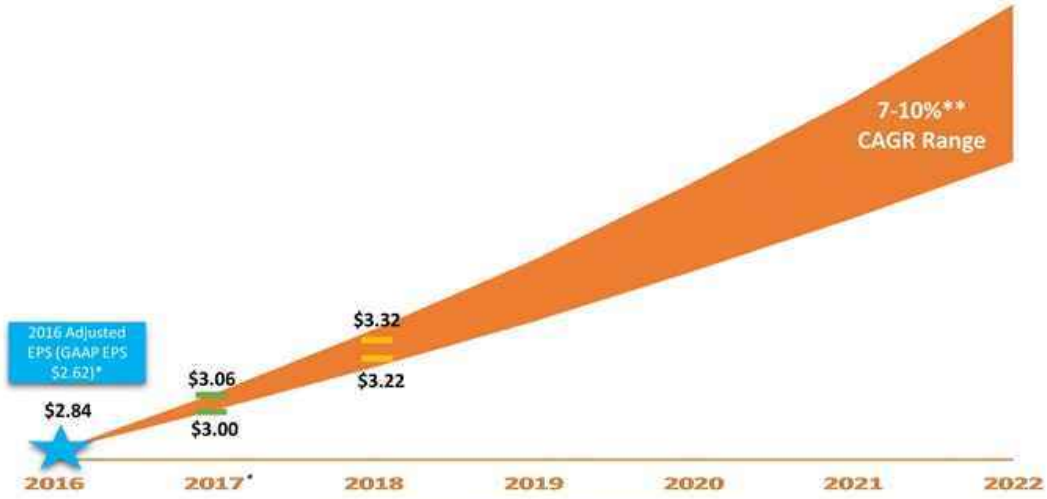


- Affirming **7 – 10%*** five-year Adjusted EPS CAGR
- Affirming 2018 EPS Guidance at **$3.22 - $3.32**
- Updating 2017 GAAP EPS Guidance with tax reform at **$1.93 - $2.55** Affirming 2017 Adjusted EPS guidance of **$3.00 - $3.06**
- Tax reform expected to be **accretive** to earnings on a long term basis
  - **Regulated rate base growth** and **Market-Based EPS growth** outpace impact of higher debt from **lower cash flow**
- Affirming our estimated **$8.0 - $8.6 billion** five year capital investment with continued focus on customer affordability
- **Growing our dividend** at high end of the long-term 7 – 10%* EPS growth**
- Affirming our on-going position that **no new equity** will be required under normal operating conditions

** Anchored off of 2016 Adjusted EPS (a non-GAAP measure).*
*** Subject to board approval*

American Water Continues to be a High Growth Utility

Long Term Adjusted Earnings Per Share Growth CAGR Target of 7-10% continues through 2022**



2017 EPS Guidance

- GAAP Range: $1.93 - $2.55
- Adjusted: $3.00 - 3.06*

2018 EPS Guidance

- Range: $3.22 - $3.32
- 8% growth over midpoint of 2017 adjusted guidance**

Long Term Guidance

- Continue Long Term Adjusted EPS CAGR of 7 – 10%**
- Anchor moved to 2016 Adjusted EPS*

** Adjusted EPS is a Non-GAAP measure. Please see appendix for reconciliation and further information.*
*** Anchored off of 2016 Adjusted EPS (a non-GAAP measure).*

January 2018

Tax reform benefits our customers and is accretive to 2018-2022 EPS

Regulated Business

- Tax Reform benefits our customers
  - Needed infrastructure investments more affordable through lower customer rates
  - Deferred tax re-measurement passed back to customers over time
- Increases rate base and earnings over time through lower deferred taxes
- Regulated carve out keeps interest deduction; does not allow bonus depreciation
- Majority of our 14 regulatory jurisdictions have opened proceedings or have provided notice of a future proceeding, to address the impact of tax reform*

Market Based Business

- Increases earnings generally
  - Although military contracts expected to be trued-up in next price redetermination

Parent

- Parent debt expected to be deductible
  - Likely allocable to regulated business for tax purposes
- Lowers cash flow and FFO/Debt
- Accelerates timing of becoming a cash taxpayer

* *The company has three open rate cases that may be impacted*

Reconciliation Tables: 2016 Earnings per Share & 2017 Guidance Range

Earnings per Share	Full Year 2016
Diluted earnings per share (GAAP):	
Net income attributable to common stockholders	$ 2.62
Non-GAAP adjustments:	
Impact of Freedom Industries Binding Global Agreement in Principle	0.36
Income tax impact	(0.14)
Net non-GAAP adjustment	0.22
Total net non-GAAP adjustments	0.22
Adjusted diluted earnings per share (non-GAAP)	$ 2.84

2017 Adjusted EPS Guidance Range	Low End	High End
Per Diluted Share:		
Earnings guidance range (GAAP)	$ 1.93	$ 2.55
Non-GAAP adjustments:		
Impact of Freedom Industries settlement activities	(0.12)	(0.12)
Income tax impact	0.05	0.05
Net non-GAAP adjustment	(0.07)	(0.07)
Early debt extinguishment at the parent company	0.03	0.03
Income tax impact	(0.01)	(0.01)
Net non-GAAP adjustment	0.02	0.02
Impact of Tax Reform	1.12	0.56
Total net non-GAAP adjustments	$ 1.07	$ 0.51
Adjusted earnings guidance range (non-GAAP)	$ 3.00	$ 3.06

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Section 1: 8-K (FORM 8-K - CLOSING OF PIVOTAL ACQUISITION)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 4, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

INTRODUCTORY NOTE

American Water Works Company, Inc. (the "Company or "American Water") is filing this Current Report on Form 8-K to report:

- the closing on June 4, 2018 by American Water Enterprises, LLC ("AWE") of its acquisition of Pivotal Home Solutions for approximately $363.7 million in cash, including an estimated $7.7 million in working capital, which is subject to adjustment based on a post-closing working capital determination; and

- American Water's election to physically settle the equity forward sale agreements entered into on April 11, 2018 to fund a portion of the purchase price of this acquisition.

Item 7.01. Regulation FD Disclosure.

On June 4, 2018, American Water issued a press release announcing that AWE, its wholly owned subsidiary, completed the acquisition (the "Acquisition") of all of the capital stock of Nicor Energy Services Company, doing business as Pivotal Home Solutions ("Pivotal"), from Southern Company Gas, a subsidiary of The Southern Company. Pivotal is a leading provider of home warranty protection products and services. The total amount paid at closing was approximately $363.7 million in cash, including the adjusted stated price of $356 million and $7.7 million in estimated closing working capital, which is subject to adjustment based on the post-closing determination of Pivotal's closing working capital.

A copy of this press release has been included as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference in response to this Item 7.01. The information furnished in response to this Item 7.01, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01. Other Events.

On June 4, 2018, AWE completed the Acquisition pursuant to the terms and conditions of that certain Stock Purchase Agreement, dated April 11, 2018, by and among AWE, Nicor Energy Ventures Company, Pivotal, and, for the limited purposes set forth in the Purchase Agreement, each of Southern Company Gas and the Company. On or about June 4, 2018, Pivotal's legal name will be changed to Pivotal Home Solutions Co.

As previously disclosed, on April 11, 2018, the Company entered into a forward sale agreement with an affiliate of JPMorgan Chase Bank, National Association and a forward sale agreement (each, a "Forward Sale Agreement") with Wells Fargo Bank, National Association (each, a "Forward Purchaser"), relating to the issuance and sale of 2,320,000 shares of the Company's common stock. To fund a portion of the purchase price of the Acquisition, the Company has notified each Forward Purchaser of the Company's election to fully and physically settle the relevant Forward Sale Agreement. As provided under the terms of the Forward Sale Agreements, on or before June 7, 2018, the Company will deliver to the Forward Purchasers an aggregate of 2,320,000 shares of its common stock in exchange for aggregate net proceeds of approximately $183.3 million, before deducting offering expenses.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the settlement of the Forward Sale Agreements and the aggregate amount of net proceeds to be received by American Water therefrom. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in American Water's Form 10-K for the year ended December 31, 2017, its prospectus supplement dated April 11, 2018 and related prospectus (taken together, the "Prospectus"), and in its other filings with the Securities and Exchange Commission (the "SEC"), and the additional risks, uncertainties, assumptions and limitations described herein.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in our annual and quarterly filings with the SEC and in the Prospectus, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date this Current Report on Form 8-K is filed with the SEC. We do not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit No.	Description of Exhibit
99.1	Press Release, dated June 4, 2018, issued by the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: June 4, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1 - AWK PRESS RELEASE JUNE 4, 2018)

Exhibit 99.1

June 4, 2018

Edward Vallejo
Vice President, Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and Federal Affairs
856-309-4546
maureen.duffy@amwater.com

American Water Completes Acquisition of Pivotal Home Solutions

VOORHEES, N.J., June 4, 2018 - American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, today announced that it has completed the acquisition of Pivotal Home Solutions from Southern Company Gas, a subsidiary of Southern Company, for $363.7 million in cash, including estimated working capital.

Pivotal Home Solutions, a home warranty business operating in 18 states with 1.2 million customer contracts, joins American Water's Homeowner Services Group organization. Pivotal will maintain its name and operations in Naperville, Ill., and continue offering protection for a wide variety of home appliances, heating and cooling systems, and service lines inside and around a home.

“We are excited to welcome the Pivotal Home Solutions team to our organization,” said Susan Story, president and CEO of American Water. “Together, we’ll leverage the commitment that both teams demonstrate in providing even more peace of mind and unmatched service to home warranty customers across the U.S.”

American Water’s Homeowner Services Group operates in 43 states and Washington, D.C., and currently services more than 1.8 million contracts, not including those served by Pivotal Home Solutions. The Homeowner Services Group has been providing protection programs for more than 15 years, has an A+ Rating from the Better Business Bureau and holds a 97 percent customer satisfaction rating. It also provides its Protection Programs to homeowners through municipal partnerships with the New York City Department of Environmental Protection, Orlando Utilities Commission, Nashville Metro Water Services and others.

About Pivotal Home Solutions

Since 1992, the home warranty plans offered by Pivotal Home Solutions have helped protect homeowners from the costs of unexpected repairs to their home's systems, lines and/or appliances. Pivotal Home Solutions' operations include approximately 1.2 million repair and maintenance plans in 18 states.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,900 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 46 states, the District of Columbia and Ontario, Canada. More information can be found by visiting www.amwater.com.

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Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 1, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On August 1, 2018, the Company issued a press release announcing its financial results for the second quarter ended June 30, 2018. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit	Description
99.1	Press Release, dated August 1, 2018, issued by American Water Works Company, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: August 1, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1 - EARNINGS PRESS RELEASE DATED AUGUST 1, 2018)

Exhibit 99.1

August 1, 2018

Edward Vallejo
Vice President, Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and Federal Affairs
856-309-4546
maureen.duffy@amwater.com

AMERICAN WATER REPORTS SECOND QUARTER 2018 RESULTS

- **Second quarter 2018 diluted earnings per share (GAAP) $0.91 compared to $0.73 in the second quarter of 2017**
- **Second quarter 2018 adjusted diluted earnings per share was $0.83 (non-GAAP measure) an increase of 13.7 percent, excluding the benefit from an insurance settlement related to the Freedom Industries chemical spill**
- **Achieved strong results in both the Regulated Businesses and the Market-Based Businesses**
- **Completed Pivotal Home Solutions acquisition in our Market-Based Businesses**
- **Affirmed 2018 earnings guidance range**

VOORHEES, N.J., August 1, 2018 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter ended June 30, 2018.

“American Water employees delivered a strong second quarter with 2018 adjusted earnings per share up 13.7 percent compared to last year. Our

second quarter results demonstrate that we continue to grow our business through the consistent execution of our strategies," said Susan Story, president and chief executive officer of American Water.

"We saw strong growth in both our Regulated and Market-Based Businesses in the second quarter. We invested a total of $1.1 billion, with $713 million invested in our Regulated Businesses to ensure safe and reliable service, and $363 million to close on the Pivotal Home Solutions addition to our legacy Homeowner Services Group in our Market-Based Businesses.

"Our Regulated Businesses added 10,300 customers to date through closed acquisitions and organic growth. We also recently announced an agreement to acquire the Exeter Township Wastewater System in Pennsylvania with 9,000 customer connections, as well as the Roxbury Water System in New Jersey with 3,900 customer connections. We look forward to welcoming and serving these new customers in the coming months. Notably, we received the final approval of our global settlement for Freedom Industries by the U.S. District Court, and settled with our final insurance carrier.

"In addition to the acquisition of Pivotal Home Solutions, we announced on July 5 that we had entered into an agreement for the majority of our Contract Services Group to be sold to Veolia North America. We have already closed on 17 of the 23 contracts, with the remainder to close by the end of the year. These efforts reflect the continued optimization of our Market-Based Businesses segment.

"We remain on track to meet our long term compound annual earnings growth outlook in the top half of the 7-10 percent range and we are affirming our 2018 earnings guidance to a non-GAAP range of $3.22 to $3.32 per diluted share," added Story.

Consolidated Results

The Company's three and six months ended results are included in the table below.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Diluted earnings per share (GAAP):				
Net income attributable to common stockholders	$ 0.91	$ 0.73	$ 1.50	$ 1.26
Non-GAAP adjustment:				
Impact of Freedom Industries settlement activities	(0.11)	—	(0.11)	—
Income tax impact	0.03	—	0.03	—
Total net non-GAAP adjustment	(0.08)	—	(0.08)	—
Adjusted diluted earnings per share (non-GAAP)	$ 0.83	$ 0.73	$ 1.42	$ 1.26

In the second quarter 2018, the global settlement related to the Freedom Industries chemical spill class action litigation in West Virginia received final court approval and the Company settled with its remaining general liability insurance carrier relating to this matter resulting in a benefit to the Company of $20 million, or $0.08 per diluted share. Consistent with all other elements of the global settlement, this benefit is shown as a non-GAAP adjustment.

Adjusted earnings were $0.83 per diluted share (a non-GAAP measure) for the second quarter 2018, an increase of $0.10 per diluted share, or 13.7 percent, over the same period in 2017. This increase was from growth in our Regulated and Market-Based Businesses. Net income from the Regulated Businesses increased $0.08 per diluted share or 10.3 percent from increases in authorized revenue driven by capital investments, acquisitions and organic growth. Net income from the Market-Based Businesses increased $0.02 per diluted share, primarily from stronger results in the Homeowner Services Group.

For the first six months of 2018, adjusted earnings were $1.42 per diluted share, an increase of $0.16 per diluted share, or 12.7 percent, over the same period in 2017. Net income from the Regulated Businesses increased $0.13 per diluted share or 9.9 percent from increases in authorized revenue driven by capital investments, acquisitions and organic growth. Net income from the Market-Based Businesses increased $0.05 per diluted share, primarily from stronger results in the Homeowner Services Group and lower taxes and the parent company decreased $0.02 primarily from the lower tax shield on interest expense.

For the first six months of 2018, the company made capital investments of approximately $1.1 billion, including $713 million dedicated primarily to improving infrastructure in the Regulated Businesses, $363 million for the Pivotal acquisition, and $14 million for regulated acquisitions. American Water plans to invest in the range of $2.0 billion to $2.1 billion, including the acquisition of Pivotal Home Solutions (“Pivotal”), across its footprint in 2018.

Regulated Businesses

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (GAAP)	$ 167	$ 140	$ 271	$ 234
Non-GAAP adjustment:				
Impact of Freedom Industries settlement activities	(20)	—	(20)	—
Income tax impact	5	—	5	—
Net non-GAAP adjustment	(15)	—	(15)	—
Adjusted net income (non-GAAP)	$ 152	$ 140	$ 256	$ 234

In the second quarter of 2018, GAAP net income in the Regulated Businesses was $167 million, compared to $140 million for the same period in 2017.

The 2018 GAAP net income includes an after-tax benefit of $15 million from the insurance settlement related to the Freedom Industries chemical spill discussed above and is reflected as a non-GAAP adjustment.

In the second quarter of 2018, adjusted net income in the Regulated Businesses was $152 million, compared to $140 million for the same period in 2017. Regulated revenue decreased approximately $2 million driven by a $35 million increase from additional authorized revenue and surcharges to support infrastructure investments, acquisitions, and organic growth that was more than offset by the $38 million impact of the lower federal tax rate under the Tax Cut and Jobs Act (the "TCJA") expected to benefit customers. The company had higher production expense of $3 million due mainly to purchased water price and usage increases in our California subsidiary and higher O&M expense of $8 million to support regulated growth. In addition, depreciation expense increased $4 million from infrastructure investment growth. Income taxes were lower by $31 million from the lower federal tax rate under the TCJA.

For the first six months of 2018, adjusted net income in the Regulated Businesses was $256 million, compared to $234 million for the same period in 2017. Regulated revenue increased $5 million driven by a $75 million increase from additional authorized revenue and surcharges to support infrastructure investments, acquisitions, and organic growth; largely offset by $70 million resulting from the lower federal tax rate under the TCJA that is expected to benefit customers. The Company had higher production expense of $9 million due mainly to purchased water price and usage increases in our California subsidiary and O&M increased $23 million to support regulated acquisition and other growth, as well as higher main breaks from the harsh frigid weather conditions across several regulated states during the first quarter of 2018. In addition, depreciation expense increased $9 million from infrastructure investment growth. Income taxes were lower by $53 million as a result of the lower federal tax rate under the TCJA.

Through June 30, 2018, the company received additional annualized revenues of approximately $95 million from general rate cases and approximately $15 million from infrastructure surcharges. The company is awaiting final orders for general rate cases in four states and filed infrastructure surcharge in one, for a total annualized revenue request of approximately $169 million, adjusted for certain impacts of the TCJA. The extent to which requested rate increases will be granted by the applicable regulatory agencies will vary.

For the 12-month period ended June 30, 2018, the company's adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) improved to 35.3 percent, compared to 36.3 percent for the 12-month period ended June 30, 2017. For period-to-period comparability purposes, both of these ratios present the estimated impact of the TCJA on operating revenues for the Regulated Businesses on a pro forma basis, as if the lower federal corporate income tax rate had been in effect for these periods. By reducing O&M expense as a proportion of revenue, American Water is able to make investments in needed capital improvements without significantly impacting customer bills.

Market-Based Businesses

On June 4, 2018, American Water completed the acquisition of Pivotal, for $363 million, including estimated working capital.

In the second quarter of 2018, net income in the Market-Based Businesses was $13 million, compared to $9 million for the same period in 2017. The increase was primarily driven by growth in the Homeowner Services Group through customer growth and cost management and the impact of the lower federal income tax rate under the TCJA.

For the first six months of 2018, net income in the Market-Based Businesses was $25 million, compared to $15 million for the same period in 2017. The increase was primarily driven by growth in the Homeowner Services Group through customer growth and cost management and the impact of the lower federal income tax rate under the TCJA.

On July 5, 2018, the Company entered into an agreement for the sale of the majority of our Contract Services Group to subsidiaries of Veolia Environnement for $27 million. The sale agreement includes the transfer of 23 of our Contract Services Group’s 33 O&M contracts, of which 17 have closed and the remainder are expected to close by year end.

Dividends

On July 27, 2018, American Water’s board of directors declared a quarterly cash dividend payment of $0.455 per share of common stock, payable on September 4, 2018, to all stockholders of record as of August 10, 2018.

2018 Earnings Guidance

American Water is providing its 2018 earnings guidance GAAP range of $3.30 - $3.40 per diluted share, which includes an $0.08 per diluted share benefit of the company's settlement with its general liability insurance carrier relating the Freedom Industries chemical spill class action litigation in West Virginia. Excluding this benefit, the company affirms its 2018 earnings guidance to a non-GAAP range of $3.22 - $3.32 per diluted share. The company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual and quarterly reports filed with the Securities and Exchange Commission ("SEC").

Non-GAAP Financial Measures

This press release includes presentations of adjusted net income, as well as adjusted earnings per diluted share both as historical financial information and as earnings guidance ("Adjusted EPS"). These items constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. Each of adjusted net income and Adjusted EPS is defined as GAAP net income and earnings per diluted common share, respectively, excluding the impact in the second quarter of 2018 of the insurance settlement related to the Freedom Industries chemical spill. These non-GAAP financial measures supplement the company's GAAP disclosures and should not be considered as an alternative to the GAAP measure.

Management believes that the presentation of these non-GAAP financial measures are useful to American Water's investors because they provide an indication of its baseline performance excluding items that are not considered by management to be reflective of ongoing operating results. Although management uses these non-GAAP financial measures internally to evaluate American Water's results of operations, management does not intend results excluding the adjustment to represent results as defined by GAAP, and the reader should not consider them as indicators of performance. The company's definition of adjusted net income or Adjusted EPS may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use.

Set forth in this release is a table that reconciles adjusted net income, as well as Adjusted EPS, both for historical and guidance purposes, to the most directly comparable GAAP financial measure.

This press release also includes a presentation of adjusted Regulated O&M efficiency ratio, which, in addition to the pro forma adjustment for the impact of the TCJA, excludes from its calculation estimated purchased water revenues and purchased water expenses, the impact of certain Freedom Industries, Inc. chemical spill settlement activities recognized in 2016, 2017 and 2018, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. This item constitutes a "non-GAAP financial measure" under SEC rules. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the company's GAAP disclosures and should not be considered as an alternative to any GAAP measure.

Management believes that the presentation of this measure is useful to investors because it provides a means of evaluating the company's operating performance without giving effect to items that are not reflective of management's ability to increase efficiency of the company's regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical performance, management relies, in part, on trends in the company's historical results, exclusive of estimated revenues and expenses related to purchased water, the Freedom Industries chemical spill settlement activities and the allocable portion of non-O&M support services costs. The company's definition of this metric may not be comparable to the same or similar measures used by other companies, and, accordingly, this non-GAAP financial measure may have significant limitations on its use.

Set forth in this release is a table that reconciles each of the components used to calculate adjusted O&M efficiency ratio to the most directly comparable GAAP financial measure.

Second Quarter 2018 Earnings Conference Call

The second quarter 2018 earnings conference call will take place on Thursday, August 2, 2018, at 9 a.m. Eastern Daylight Time. Interested parties may listen to an audio webcast on the Investor Relations homepage at ir.amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online. The company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, an audio archive of the call will be available through August 9, 2018. U.S. callers may access the audio archive toll-free by dialing 1-877-344-7529. International callers may listen by dialing 1-412-317-0088. The access code for replay is 10122331. The audio webcast will be available on American Water's investor relations homepage at ir.amwater.com through September 2, 2018. After that, the archived webcast will be available for one year at ir.amwater.com/event-replays.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 7,100 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 14 million people in 45 states and Ontario, Canada. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2018 earnings guidance, the outcome of pending acquisition activity and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could” and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions’ actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, and other decisions; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; potential costs and liabilities of American Water for environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, water management solutions focused on customers in the shale natural gas exploration and production market; the outcome of litigation and similar government actions, including matters related to the Freedom Industries chemical spill in West Virginia and the approved global class action settlement agreement related to this chemical spill; weather conditions, and events, climate change patterns, and natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its operational and information technology (“IT”) systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers; exposure or infiltration of its critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber-attacks or other disruptions; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire, close and successfully integrate regulated operations and Market-based businesses, enter into contracts and other agreements with, or otherwise obtain, new customers in the Market-based businesses, and realize anticipated benefits and synergies from new acquisitions; cost overruns relating to improvements in or the expansion of its operations; its ability to maintain safe work sites; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or funding requirements or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income, general and other tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain,

insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new accounting standards or changes to existing standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations (Unaudited)

(In millions, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Operating revenues	$ 853	$ 844	$ 1,614	$ 1,600
Operating expenses:				
Operation and maintenance	348	347	695	681
Depreciation and amortization	134	126	263	250
General taxes	69	63	139	131
Gain on asset dispositions and purchases	—	(2)	(2)	(2)
Total operating expenses, net	551	534	1,095	1,060
Operating income	302	310	519	540
Other income (expense):				
Interest, net	(86)	(85)	(170)	(170)
Non-operating benefit costs, net	2	(2)	5	(5)
Other, net	4	3	8	6
Total other income (expense)	(80)	(84)	(157)	(169)
Income before income taxes	222	226	362	371
Provision for income taxes	60	95	94	147
Net income attributable to common stockholders	$ 162	$ 131	$ 268	$ 224
Basic earnings per share: (a)				
Net income attributable to common stockholders	$ 0.90	$ 0.74	$ 1.50	$ 1.26
Diluted earnings per share: (a)				
Net income attributable to common stockholders	$ 0.91	$ 0.73	$ 1.50	$ 1.26
Weighted-average common shares outstanding:				
Basic	179	178	179	178
Diluted	179	179	179	179
Dividends declared per common share	$ 0.455	$ 0.415	$ 0.455	$ 0.42

(a) Amounts may not calculate due to rounding.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

	June 30, 2018	December 31, 2017
ASSETS		
Property, plant and equipment	$ 22,361	$ 21,716
Accumulated depreciation	(5,584)	(5,470)
Property, plant and equipment, net	16,777	16,246
Current assets:		
Cash and cash equivalents	68	55
Restricted funds	27	27
Accounts receivable, net	324	272
Unbilled revenues	212	212
Materials and supplies	42	41
Other	160	113
Total current assets	833	720
Regulatory and other long-term assets:		
Regulatory assets	1,069	1,061
Goodwill	1,621	1,379
Intangible assets	101	9
Other	70	67
Total regulatory and other long-term assets	2,861	2,516
Total assets	$ 20,471	$ 19,482

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

	June 30, 2018	December 31, 2017
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 185,173,388 and 182,508,564 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,637	6,432
Accumulated deficit	(537)	(723)
Accumulated other comprehensive loss	(69)	(79)
Treasury stock, at cost (4,683,156 and 4,064,010 shares, respectively)	(297)	(247)
Total common stockholders' equity	5,736	5,385
Long-term debt	6,345	6,490
Redeemable preferred stock at redemption value	7	8
Total long-term debt	6,352	6,498
Total capitalization	12,088	11,883
Current liabilities:		
Short-term debt	1,649	905
Current portion of long-term debt	364	322
Accounts payable	139	195
Accrued liabilities	530	630
Taxes accrued	48	33
Interest accrued	69	73
Other	152	167
Total current liabilities	2,951	2,325
Regulatory and other long-term liabilities:		
Advances for construction	263	271
Deferred income taxes, net	1,617	1,551
Deferred investment tax credits	22	22
Regulatory liabilities	1,713	1,664
Accrued pension expense	397	384
Accrued post-retirement benefit expense	38	40
Other	84	66
Total regulatory and other long-term liabilities	4,134	3,998
Contributions in aid of construction	1,298	1,276
Commitments and contingencies		
Total capitalization and liabilities	$ 20,471	$ 19,482

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)
In millions

	For the Twelve Months Ended June 30,	
(In millions)	**2018**	**2017**
Total operation and maintenance expenses (a)	$ 1,383	$ 1,487
Less:		
Operation and maintenance expenses—Market-Based Businesses	334	351
Operation and maintenance expenses—Other (a)	(40)	(37)
Total operation and maintenance expenses—Regulated Businesses (a)	1,089	1,173
Less:		
Regulated purchased water expenses	133	123
Allocation of non-operation and maintenance expenses	29	27
Impact of Freedom Industries settlement activities (b)	(42)	65
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 969	$ 958
Total operating revenues	$ 3,371	$ 3,332
Less:		
Pro forma adjustment for impact of the TCJA (c)	87	164
Total pro forma operating revenues	3,284	3,168
Less:		
Operating revenues—Market-Based Businesses	430	428
Operating revenues—Other	(22)	(22)
Total pro forma operating revenues—Regulated Businesses	2,876	2,762
Less:		
Regulated purchased water revenues (d)	133	123
Adjusted pro forma operating revenues—Regulated Businesses (ii)	$ 2,743	$ 2,639
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	35.3%	36.3%

NOTE The adjusted O&M efficiency ratio previously reported for the twelve months ended June 30, 2017 was 34.5%, which did not include the adjustments for the items discussed in footnotes (a) and (c) below.

(a) Includes the impact of the Company's adoption of ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit,* on January 1, 2018.

(b) Includes the impact of the binding global agreement in principle to settle claims in 2016, and settlements with two of our general liability insurance carriers in 2017 and 2018.

(c) Includes the estimated impact of the TCJA on operating revenues for our Regulated Businesses for all periods presented prior to January 1, 2018, as if the lower federal corporate income tax rate was in effect for these periods.

(d) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Earnings Guidance Range (A Non-GAAP, unaudited measure)

	2018	
	Low End	**High End**
Earnings Guidance Range (GAAP)	$ 3.30	$ 3.40
Non-GAAP Adjustments:		
Impact of Freedom Industries settlement activities	(0.11)	(0.11)
Income tax impact	0.03	0.03
Net non-GAAP adjustment	(0.08)	(0.08)
Adjusted Earnings Guidance Range (non-GAAP)	$ 3.22	$ 3.32

Section 1: 8-K (FORM 8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 6, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01. Other Events.

On August 9, 2018, American Water Capital Corp. ("AWCC"), a wholly owned subsidiary of American Water Works Company, Inc. ("American Water"), sold $625.0 million aggregate principal amount of its 3.750% Senior Notes due 2028 (the "2028 Notes") and $700.0 million aggregate principal amount of its 4.200% Senior Notes due 2048 (the "2048 Notes", and, together with the 2028 Notes, the "Notes") pursuant to an Underwriting Agreement, dated August 6, 2018, among AWCC, American Water, and Mizuho Securities USA LLC, MUFG Securities Americas Inc., RBC Capital Markets, LLC and TD Securities (USA) LLC, as representatives of the several underwriters named therein. The Notes have the benefit of a support agreement from American Water (the "Support Agreement").

The Notes and the obligations of American Water represented by the Support Agreement were registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-3 (File Nos. 333-224558-01 and 333-224558). At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $1.3 billion. AWCC intends to use the net proceeds of the offering to (1) lend funds to American Water and its regulated operating subsidiaries, (2) repay $191.1 million principal amount of AWCC's 5.62% Senior Notes due 2018 upon maturity on December 21, 2018, (3) prepay $100.0 million aggregate principal amount of AWCC's outstanding 5.62% Series E Senior Notes due March 29, 2019 (the "Series E Notes") and $100.0 million aggregate principal amount of AWCC's outstanding 5.77% Series F Senior Notes due March 29, 2022 (the "Series F Notes", and, together with the Series E Notes, the "Series Notes"), and (4) repay AWCC's commercial paper obligations, and for general corporate purposes. After such prepayments, no principal amount of the Series Notes will remain outstanding.

The Notes were issued pursuant to the Indenture, dated December 4, 2009, by and between AWCC and Wells Fargo Bank, National Association, as trustee, as supplemented by officers' certificates establishing the terms of the Notes.

AWCC intends to notify holders of the Series Notes that AWCC will prepay $200.0 million aggregate principal amount of the Series Notes on or about September 11, 2018 (the "Prepayment Date") at a price equal to the sum of (i) 100% of the aggregate principal amount of the Series Notes plus (ii) a make-whole amount, which is currently estimated to be $10 million in the aggregate, together with interest on such principal amount accrued to the Prepayment Date. Substantially all of the debt extinguishment expenses associated with the prepayment of the Series Notes will be allocable to American Water's utility subsidiaries and are expected to be recorded as regulatory assets that American Water believes will be probable of recovery in future rates.

This Current Report on Form 8-K is being filed to report the closing of the offering summarized herein and the notification by AWCC of the prepayment of the Series Notes described above, and to include, as exhibits, certain documents executed in connection with the sale of the Notes.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should," "will" and "could," or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the prepayment by AWCC of the Series Notes, the make-whole amount to be paid in connection therewith and the amount of debt extinguishment charges allocable to American Water's utility subsidiaries and recorded as regulatory assets that American Water believes will be probable of recovery in future rates. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in American Water's Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission (the "SEC") on February 20, 2018, and other filings with the SEC, and additional risks and uncertainties, including, without limitation, with respect to the prepayment of the Series Notes, the amount of the make-whole payment as of the Prepayment Date and the amount of debt extinguishment charges that may be allocable to American Water's utility subsidiaries, as described herein.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. American Water does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for American Water to

predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on American Water's business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been filed herewith:

Exhibit Number	Description
1.1*	Underwriting Agreement, dated August 6, 2018, by and among AWCC, American Water, and Mizuho Securities USA LLC, MUFG Securities Americas Inc., RBC Capital Markets, LLC and TD Securities (USA) LLC, as representatives of the several underwriters named therein.
4.1*	Officers' Certificate of AWCC, dated August 9, 2018, establishing the terms and authorizing the issuance of the 2028 Notes.
4.2*	Officers' Certificate of AWCC, dated August 9, 2018, establishing the terms and authorizing the issuance of the 2048 Notes.
5.1*	Opinion of Morgan, Lewis & Bockius LLP.
10.1*	Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan.
23.1*	Consent of Morgan, Lewis & Bockius LLP (included in Exhibit 5.1).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: August 9, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-1.1 (EX-1.1)

Exhibit 1.1

EXECUTION VERSION

American Water Capital Corp.
1025 Laurel Oak Road
Voorhees, New Jersey 08043

$625,000,000 3.750% Senior Notes due 2028
$700,000,000 4.200% Senior Notes due 2048

Support Agreement from American Water Works Company, Inc.

Underwriting Agreement

August 6, 2018

Mizuho Securities USA LLC
MUFG Securities Americas Inc.
RBC Capital Markets, LLC and
TD Securities (USA) LLC,
As representatives of the several Underwriters
named in Schedule I hereto
c/o Mizuho Securities USA LLC
320 Park Avenue
New York, New York 10022

Ladies and Gentlemen:

1. American Water Capital Corp., a Delaware corporation (the "**Company**"), proposes, subject to the terms and conditions stated herein, to issue and sell to the underwriters named in Schedule I hereto (the "**Underwriters**"), for whom you (the "**Representatives**") are acting as representatives, (a) an aggregate of $625,000,000 principal amount of the Company's 3.750% Senior Notes due 2028 (the "**2028 Notes**"), and (b) an aggregate of $700,000,000 principal amount of the Company's 4.200% Senior Notes due 2048 (the "**2048 Notes**" and, together with the 2028 Notes, the "**Securities**").

2. The Company previously entered into a support agreement with American Water Works Company, Inc., a Delaware corporation (the "**Parent**"), dated June 22, 2000 and amended as of July 26, 2000 (as such agreement may be hereinafter amended, modified or supplemented from time to time in accordance with the terms and provisions thereof, the "**Support Agreement**"). Pursuant to the Support Agreement, the Parent has agreed, among other things, to provide funds to the Company if it is unable to make timely payment of principal of and premium, if any, and interest on Debt (as defined in the Support Agreement) issued by the Company.

3. The Company and the Parent, jointly and severally, represent and warrant to, and agree with, each of the Underwriters that:

(a) An "automatic shelf registration statement" as defined under Rule 405 under the Securities Act of 1933, as amended (the "**Act**"), on Form S-3 (File Nos. 333-224558 and 333-224558-01) in respect of the Securities has been filed with the Securities and Exchange Commission (the "**Commission**") not earlier than three years prior to the date hereof; such registration statement, and any post-effective amendment thereto, each in a form heretofore delivered to the Representatives, became effective on filing; and no stop order suspending the effectiveness of such registration statement or any part thereof has been issued and, to the Parent's or the Company's knowledge, no proceeding for that purpose has been initiated or threatened by the Commission, and no notice of objection of the Commission to the use of such registration statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act has been received by the Parent or the Company (the base prospectus filed as part of such registration statement, in the form in which it has most recently been filed with the Commission on or prior to the date of this Agreement, is hereinafter called the "**Basic Prospectus**"; any preliminary prospectus (including any preliminary prospectus supplement) relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act is hereinafter called a "**Preliminary Prospectus**"; the various parts of such registration statement, including all exhibits thereto but excluding the Form T-1 and including any prospectus supplement relating to the Securities that is filed with the Commission and deemed by virtue of Rule 430B to be part of such registration statement, each as amended at the time such part of the registration statement became effective, are hereinafter collectively called the "**Registration Statement**"; the Basic Prospectus, as amended and supplemented immediately prior to the Applicable Time (as defined in Section 3(c) hereof), is hereinafter called the "**Pricing Prospectus**"; the final prospectus relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 7(a) hereof is hereinafter called the "**Prospectus**"; any reference herein to the Basic Prospectus, the Pricing Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act as of the date of such prospectus; any reference to any amendment or supplement to the Basic Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any post-effective amendment to the Registration Statement, any prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act and any documents filed under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and incorporated therein, in each case after the date of the Basic Prospectus, such Preliminary Prospectus, or the Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration

Statement that is incorporated by reference in the Registration Statement; and any "issuer free writing prospectus" as defined in Rule 433 under the Act relating to the Securities is hereinafter called an "**Issuer Free Writing Prospectus**";

(b) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission. Each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"), and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Representatives expressly for use therein (the "**Underwriter Information**");

(c) For the purposes of this Agreement, the "**Applicable Time**" is 4:00 P.M. (Eastern time) on the date of this Agreement. The Pricing Prospectus, as supplemented by the final term sheet prepared and filed pursuant to Section 7(a) hereof, taken together (collectively, the "**Pricing Disclosure Package**"), as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Free Writing Prospectus listed on Schedule II hereto does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each such Issuer Free Writing Prospectus, taken together with the Pricing Disclosure Package as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that the representations and warranties in this clause (c) shall not apply to statements or omissions made in an Issuer Free Writing Prospectus in reliance upon and in conformity with the Underwriter Information;

(d) The documents incorporated by reference in the Pricing Prospectus and the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such

documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(e) The interactive data in eXtensible Business Reporting Language filed as exhibits to the reports included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto;

(f) (i) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder and (ii) the Registration Statement and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus do not and will not, as of the applicable effective date as to each part of the Registration Statement and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(g) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, (A) none of the Parent, the Company or any of the Parent's other subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and which could reasonably be expected to, in each case, individually or in the aggregate, have a material adverse effect on the financial condition, stockholders' equity, properties or results of operations of the Parent, the Company and the Parent's other subsidiaries, taken as a whole (a "**Material Adverse Effect**"); and (B) no labor dispute with the employees of the Parent, the Company or any of the Parent's other subsidiaries exists or, to the knowledge of the Company or the Parent, is imminent, which could reasonably be expected to result in a Material Adverse Effect; and (ii) since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, otherwise than as set forth or contemplated in the Pricing

Prospectus, there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Parent or increase in consolidated long-term debt of the Parent and its consolidated subsidiaries, or (B) any change, or any development involving a prospective change, in or affecting the general affairs or management, otherwise than as set forth or contemplated in the Pricing Prospectus, that could reasonably be expected to have a Material Adverse Effect;

(h) The Parent, the Company and each of the Parent's other subsidiaries has good and sufficient title to all real property and personal property owned by them sufficient for the conduct of their respective businesses, in each case free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus or such as do not affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Parent, the Company and each of the Parent's other subsidiaries except, in each case, as would not, individually or in the aggregate, have a Material Adverse Effect; and any real property and buildings held under lease by the Parent, the Company and each of the Parent's other subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Parent, the Company and each of the Parent's other subsidiaries, otherwise than as set forth or contemplated in the Pricing Prospectus or as would not, individually or in the aggregate, have a Material Adverse Effect;

(i) Each of the Parent and the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, have a Material Adverse Effect; and each subsidiary of the Parent listed on Schedule IV hereto (each a "**Significant Subsidiary**") has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, except where the failure to be in good standing would not, individually or in the aggregate, have a Material Adverse Effect;

(j) All of the issued shares of capital stock of the Parent and the Company have been duly and validly authorized and issued and are fully paid and non-assessable; and all of the issued shares of capital stock of each Significant Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and (except (i) for directors' qualifying shares, (ii) for 52,515 shares of redeemable preferred stock of Pennsylvania-American

Water Company and (iii) as otherwise set forth in the Pricing Prospectus) are owned directly or indirectly by the Parent, free and clear of all liens, encumbrances, equities or claims, except for liens, encumbrances, equities or claims that would not, individually or in the aggregate, have a Material Adverse Effect;

(k) This Agreement has been duly authorized, executed and delivered by each of the Company and the Parent; the Securities have been duly authorized and, when issued and delivered pursuant to this Agreement, will have been duly executed, authenticated, issued and delivered and will constitute valid and legally binding obligations of the Company entitled to the benefits provided by the indenture, dated as of December 4, 2009 (the "**Indenture**"), between the Company and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"), under which they are to be issued; the Indenture has been duly authorized, executed and delivered by the Company and duly qualified under the Trust Indenture Act and constitutes a valid and legally binding instrument, enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles; the Support Agreement has been duly authorized, executed and delivered by the Parent and the Company and constitutes a valid and legally binding instrument, enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles; and the Securities, the Indenture and the Support Agreement will conform to the descriptions thereof in the Pricing Prospectus and the Prospectus and will be in substantially the form previously delivered to you;

(l) None of the transactions contemplated by this Agreement (including, without limitation, the use of the proceeds from the sale of the Securities) will violate or result in a violation of Section 7 of the Exchange Act, or any regulation promulgated thereunder, including, without limitation, Regulations T, U, and X of the Board of Governors of the Federal Reserve System;

(m) The issue and sale of the Securities and the compliance by the Parent and the Company with all of the provisions of the Securities, the Indenture, the Support Agreement and this Agreement and the consummation of the transactions herein and therein contemplated (i) will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Parent, the Company or any of the Parent's other subsidiaries is a party or by which the Parent, the Company or any of the Parent's other subsidiaries is bound or to which any of the property or assets of the Parent, the Company or any of the Parent's other subsidiaries is subject, and (ii) will not result in any violation of (A) the provisions of the Certificate of Incorporation or the By-laws, as amended, of the Company or the

Restated Certificate of Incorporation or the Amended and Restated Bylaws of the Parent or (B) any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Parent, the Company or any of the Parent's other subsidiaries or any of their properties, except in the case of clauses (i) and (ii)(B) for any conflict, breach, violation or default that would not, individually or in the aggregate, have a Material Adverse Effect or impair the ability of the Parent or the Company to consummate the transactions contemplated by this Agreement; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities or the consummation by the Parent or the Company of the transactions contemplated by this Agreement, the Indenture, or the Support Agreement, except (i) the registration under the Act of the Securities, (ii) such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters and (iii) such consents, approvals, authorizations, orders, registrations or qualifications that have already been obtained or the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or impair the ability of the Parent or the Company to consummate the transactions contemplated by this Agreement;

(n) None of the Parent, the Company or any of the Parent's other subsidiaries is (A) in violation of the Certificate of Incorporation or the By-laws, as amended, in the case of the Company, or the Restated Certificate of Incorporation or the Amended and Restated Bylaws, in the case of the Parent, or similar organizational documents, in the case of the Parent's other subsidiaries, or (B) in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or to which it or any of its properties is subject, except in the case of clause (A) (with respect to subsidiaries of the Parent other than the Company and the Significant Subsidiaries) and clause (B), for violations or defaults that would not, individually or in the aggregate, have a Material Adverse Effect;

(o) The statements set forth in the Pricing Prospectus and Prospectus under the captions "Description of the Notes" and "Description of AWCC Debt Securities and American Water Support Agreement", insofar as they purport to constitute a summary of the terms of the Securities, under the caption "Underwriting", insofar as they purport to describe the provisions of the documents described therein, and under the caption "Certain United States Federal Income Tax Considerations", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects;

(p) Other than as set forth in the Pricing Prospectus, there are no legal or governmental proceedings pending to which the Parent, the Company or any of the Parent's other subsidiaries is a party or of which any property of the Parent, the Company or any of the Parent's other subsidiaries is the subject which would reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect; and, to the best of the Company's and the Parent's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(q) Neither the Parent nor the Company is or, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof, will be an "investment company", as such term is defined in the Investment Company Act of 1940, as amended;

(r) (A) (i) At the time of filing the Registration Statement, (ii) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), and (iii) at the time the Parent or the Company or any person acting on the Parent's or the Company's behalf (within the meaning, for this clause only, of Rule 163(c) under the Act) made any offer relating to the Securities in reliance on the exemption of Rule 163 under the Act, the Parent and the Company were each a "well-known seasoned issuer" as defined in Rule 405 under the Act; and (B) at the earliest time after the filing of the Registration Statement that the Parent or the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Securities, neither the Parent nor the Company was an "ineligible issuer" as defined in Rule 405 under the Act;

(s) PricewaterhouseCoopers LLP, which has certified certain financial statements of the Parent and its subsidiaries, is an independent registered public accounting firm with respect to the Parent and its subsidiaries as required by the Act and the rules and regulations of the Commission thereunder;

(t) Except as disclosed in the Pricing Prospectus, the Parent maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that complies in all material respects with the requirements of the Exchange Act and has been designed by the Parent's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Except as disclosed in the Pricing Prospectus, the Parent's internal control over financial reporting is effective and the Parent is not aware of any material weaknesses in its internal control over financial reporting;

(u) Except as disclosed in the Pricing Prospectus, since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, there has been no change in the Parent's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Parent's internal control over financial reporting;

(v) The Parent maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply in all material respects with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Parent, the Company and each of the Parent's other subsidiaries is made known to the Parent's principal executive officer and principal financial officer by others within those entities; and, except as disclosed in the Pricing Prospectus, such disclosure controls and procedures are effective;

(w) The Parent, the Company and each of the Parent's other subsidiaries possess all permits, licenses, franchises, authorizations, registrations, qualifications and approvals of governmental or regulatory authorities as required of them to own their properties and conduct their businesses in the manner described in the Pricing Prospectus (collectively, "**Permits**"), except where the failure to possess such Permits would not, individually or in the aggregate, have a Material Adverse Effect; and the Parent, the Company and each of the Parent's other subsidiaries have fulfilled and performed all of their obligations with respect to such Permits required to have been performed, and no event has occurred which allows or, after notice or lapse of time or both, would allow revocation or termination thereof or result in any other material impairment of the rights of the holder of any such Permit, except, in each case, as disclosed in the Pricing Prospectus or would not, individually or in the aggregate, have a Material Adverse Effect;

(x) To the Parent's and the Company's knowledge, the Parent, the Company and each of the Parent's other subsidiaries own, possess or have the right to employ sufficient patents, patent rights, licenses, inventions, copyrights, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, software, systems or procedures), trademarks, service marks and trade names, inventions, computer programs, technical data and information (collectively, the "**Intellectual Property Rights**") reasonably necessary to conduct their businesses as now conducted, except where the failure to own, possess or have the right would not, individually or in the aggregate, have a Material Adverse Effect. None of the Parent, the Company or any of the Parent's other subsidiaries has received any notice of infringement or conflict with asserted rights of others with respect to any of the Intellectual Property Rights, whether or not arising from transactions in the ordinary course of business, except for such infringements or conflicts that would not, individually or in the aggregate, have a Material Adverse Effect. To the Parent's and the Company's knowledge, the use of the Intellectual Property

Rights in connection with the business and operations of the Parent, the Company and each of the Parent's other subsidiaries does not infringe on the rights of any person;

(y) Except as disclosed in the Pricing Prospectus, or as would not, individually or in the aggregate, have a Material Adverse Effect, none of the Parent, the Company or any of the Parent's other subsidiaries (i) is in violation of any law, statute, or any rule, regulation, decision or order of any governmental agency or body or any court relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**Environmental Laws**"), (ii) owns or operates any real property which, to the Parent's or the Company's knowledge, is contaminated with any substance that is regulated under any Environmental Laws, (iii) is, to the Parent's or the Company's knowledge, liable for any off-site disposal or contamination pursuant to any Environmental Laws, or (iv) has received any written notice of any claim under any Environmental Laws, and the Parent and the Company are not aware of any pending investigation which could reasonably be expected to lead to such a claim;

(z) The Parent, the Company and each of the Parent's other subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are, in management's judgment, prudent and customary in the businesses in which they are engaged; within the past five years, none of the Parent, the Company or any such subsidiary has been refused any insurance coverage sought or applied for; and none of the Parent, the Company or any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not, individually or in the aggregate, have a Material Adverse Effect, except, in each case, as set forth in or contemplated in the Pricing Prospectus;

(aa) Neither the Parent nor the Company has taken or will take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities;

(bb) The Parent is in compliance in all material respects with all provisions of the Sarbanes-Oxley Act of 2002 that are effective and applicable to the Parent as of the date hereof;

(cc) The Parent, the Company and each of the Parent's other subsidiaries have filed all federal, state and foreign tax returns, or have filed for extensions of the due dates of such returns, required to be filed and have paid all taxes shown as due thereon except where the failure to so file such returns

would not, individually or in the aggregate, have a Material Adverse Effect; and other than tax deficiencies which the Parent, the Company or any of the Parent's other subsidiaries is contesting in good faith and for which the Parent, the Company or any of the Parent's other subsidiaries has provided adequate reserves, there is no tax deficiency that has been asserted in writing against the Parent, the Company or any of the Parent's other subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect; and the United States federal income tax returns of the Parent, the Company and each of the Parent's other subsidiaries through the fiscal year ended December 31, 2013 have been settled and no assessment in connection therewith has been made against the Parent, the Company or any of the Parent's other subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect;

(dd) None of the Company, the Parent, any of the Parent's other subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company, the Parent, or any of the Parent's other subsidiaries is aware of or has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment;

(ee) The operations of the Company, the Parent and each of the Parent's other subsidiaries are and have been conducted at all times in compliance in all material respects with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company, the Parent, or any of the Parent's other subsidiaries with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened; and

(ff) None of the Company, the Parent, any of the Parent's other subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company, the Parent, or any of the Parent's other subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds, to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

Any certificate signed by any authorized officer of the Parent or the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by the Parent or the Company, as the case may be, as to matters covered thereby, to each Underwriter.

4. Subject to the terms and conditions herein set forth, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, (a) at a purchase price of 99.331% of the principal amount thereof, including accrued interest, if any, from August 9, 2018 to the Time of Delivery, the principal amount of the 2028 Notes set forth opposite the name of such Underwriter in Schedule I hereto, and (b) at a purchase price of 99.071% of the principal amount thereof, including accrued interest, if any, from August 9, 2018 to the Time of Delivery, the principal amount of the 2048 Notes set forth opposite the name of such Underwriter in Schedule I hereto.

5. Upon the authorization by the Company of the release of the Securities, the several Underwriters propose to offer the Securities for sale upon the terms and conditions set forth in the Prospectus.

6. (a) Each series of Securities to be purchased by each Underwriter hereunder will be represented by one or more definitive global securities in book-entry form which will be deposited by or on behalf of the Company with The Depository Trust Company ("**DTC**") or its designated custodian. The Company will deliver the Securities to the Representatives, for the account of the Underwriters, against payment by or on behalf of the Underwriters of the purchase price therefor by wire transfer of Federal (same day) funds, by causing DTC to credit the Securities to the account of the Representatives at DTC. The Company will cause forms of the certificates representing the Securities to be made available to the Representatives for checking at least twenty-four hours prior to the Time of Delivery hereunder at the office of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004 (the "**Closing Location**"). The time and date of such delivery and payment shall be 9:30 a.m., Eastern time, on August 9, 2018 or such other time and date as the Representatives and the Company may agree upon in writing. Such time and date is herein called the "**Time of Delivery**".

(b) The documents to be delivered at the Time of Delivery by or on behalf of the parties hereto pursuant to Section 10 hereof, including the cross receipt for the Securities and any additional documents requested by the Underwriters pursuant to Section 10 hereof, will be delivered at the Closing Location, and the Securities will be delivered through the facilities of DTC, all at the Time of Delivery. A meeting will be held at the Closing Location at 2:00 p.m., Eastern time, on the New York Business Day next preceding the Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the

parties hereto. For the purposes of this Agreement, "**New York Business Day**" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

7. Each of the Parent and the Company, jointly and severally, agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement and to make no further amendment or any supplement to the Registration Statement, the Basic Prospectus or the Prospectus prior to the Time of Delivery without the consent of the Representatives promptly after reasonable notice thereof (which consent shall not be unreasonably withheld); to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish the Representatives with copies thereof; to prepare a final term sheet, containing solely a description of the Securities, in a form substantially consistent with Schedule III hereto and to file such term sheet pursuant to Rule 433(d) under the Act within the time required by such Rule; to file promptly all other material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act; to file promptly all reports and any definitive proxy or information statements required to be filed by the Parent or the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required in connection with the offering or sale of the Securities; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Securities, of any notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order; and in the event of any such issuance of a notice of objection, promptly to take such steps including, without limitation, amending the Registration Statement or filing a new registration statement, at its own expense, as may be necessary to permit offers and sales of the Securities by the Underwriters (references herein to the Registration Statement shall include any such amendment or new registration statement);

(b) If by the third anniversary (the "**Renewal Deadline**") of the initial effective date of the Registration Statement, any of the Securities remain unsold by the Underwriters, the Parent will file, if it has not already done so and is eligible to do so, a new automatic shelf registration statement relating to the Securities, in a form satisfactory to the Representatives. If at the Renewal Deadline the Parent is no longer eligible to file an automatic shelf registration statement, the Parent will, if it has not already done so, file a new shelf registration statement relating to the Securities, in a form satisfactory to the Representatives and will use its best efforts to cause such registration statement to be declared effective within 180 days after the Renewal Deadline. The Parent will take all other action necessary or appropriate to permit the public offering and sale of the Securities to continue as contemplated in the expired registration statement relating to the Securities. References herein to the Registration Statement shall include such new automatic shelf registration statement or such new shelf registration statement, as the case may be;

(c) Promptly from time to time to take such action as the Representatives may reasonably request to qualify the Securities for offering and sale under the securities laws of such U.S. jurisdictions as the Representatives may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Securities; *provided* that in connection therewith neither the Parent nor the Company shall be required to qualify as a foreign corporation or as a dealer in securities or to file a general consent to service of process or subject itself to taxation for doing business in any jurisdiction;

(d) To use reasonable efforts to furnish to the Underwriters as soon as practicable after the date of this Agreement but no later than 5:30 p.m., Eastern time, on the second New York Business Day immediately succeeding the date of this Agreement and from time to time, with printed and electronic copies of the Prospectus in such quantities as the Representatives may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is, based on advice of counsel, required at any time during the period from the time of issue of the Prospectus until the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Securities and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus or to file

under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, to notify the Representatives and upon the request of the Representatives to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many printed and electronic copies as the Representatives may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales of any of the Securities at any time nine months or more after the time of issue of the Prospectus, upon the request of the Representatives but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many printed and electronic copies as the Representatives may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(e) To make generally available to its securityholders as soon as practicable, but in any event not later than sixteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Parent and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Parent, Rule 158);

(f) During the period beginning from the date hereof and continuing until the Time of Delivery, not to offer, sell, contract to sell, or otherwise dispose of, except as provided hereunder, any securities of the Parent or the Company that are substantially similar to the Securities without the Representatives' prior written consent;

(g) To take all reasonable action necessary to enable S&P Global Ratings, a division of S&P Global Inc., and Moody's Investors Service Inc. to provide their respective credit ratings of the Securities;

(h) During a period of three years from the effective date of the Registration Statement, to furnish to the holders of the Securities as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Parent and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to the holders of the Securities consolidated summary financial information of the Parent and its subsidiaries for such quarter in reasonable detail; *provided, however*, that the Parent and the Company may satisfy the requirements of this subsection by making any such reports, communications or information available on its website or by filing such information with the Commission via EDGAR or any successor filing system thereto;

(i) To use the net proceeds received by the Company from the sale of the Securities pursuant to this Agreement in the manner specified in the Pricing Prospectus under the caption "Use of Proceeds";

(j) To pay the required Commission filing fees relating to the Securities within the time required by Rule 456(b)(1) under the Act without regard to the proviso therein and otherwise in accordance with Rules 456(b) and 457(r) under the Act; and

(k) Upon request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Parent's trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Securities (the "**License**"); *provided*, *however*, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred.

8. (a) (i) Each of the Parent and the Company represents and agrees that, other than the final term sheet in a form substantially consistent with Schedule III hereto and filed pursuant to Section 7(a) hereof, without the prior written consent of the Representatives, it has not made and will not make any offer relating to the Securities that would constitute a "free writing prospectus" as defined in Rule 405 under the Act; (ii) each Underwriter represents and agrees that, without the prior written consent of the Company, other than one or more term sheets relating to the Securities substantially consistent with Schedule III hereto, containing no "issuer information" (as defined in Rule 433(h)(2) under the Act) that was not included in the Preliminary Prospectus or Pricing Prospectus, it has not made and will not make any offer relating to the Securities that would constitute a free writing prospectus; and (iii) any such free writing prospectus the use of which has been consented to by the Company and the Representatives is listed on Schedule II hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show; and

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus any event occurred or occurs as a result of which such Issuer Free Writing Prospectus would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or, when taken together with the Pricing Prospectus, would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representatives

and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus or other document which will correct such conflict, statement or omission; *provided, however,* that this representation and warranty shall not apply to any statements or omissions in an Issuer Free Writing Prospectus made in reliance upon and in conformity with the Underwriter Information.

9. Each of the Parent and the Company covenants and agrees with the several Underwriters that the Parent and the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Parent's and the Company's counsel and accountants in connection with the registration of the Securities under the Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any agreement among Underwriters, this Agreement, the Indenture, the Support Agreement, any Blue Sky survey, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iii) all expenses in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 7(c) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with any Blue Sky survey; (iv) any fees charged by securities rating services for rating the Securities; (v) the cost of preparing the Securities; (vi) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with the Indenture, the Securities and the Support Agreement; and (vii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section; *provided, however,* that reimbursements to the Underwriters, if any, shall be limited to expenses actually incurred and *provided further* that in the case of clause (iii), the Parent and the Company shall not be requested to cover expenses of counsel for the Underwriters in excess of $5,000 in the aggregate.

10. The obligations of the Underwriters hereunder shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Parent and the Company herein are, at and as of the Time of Delivery, true and correct, the condition that the Parent and the Company shall have performed all of their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 7(a) hereof; the final term sheet contemplated by Section 7(a) hereof, and any other material required to be filed by the Company

pursuant to Rule 433(d) under the Act, shall have been filed with the Commission within the applicable time period prescribed for such filings by Rule 433; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission and no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act shall have been received; no stop order suspending or preventing the use of the Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Representatives;

(b) Sullivan & Cromwell LLP, counsel for the Underwriters, shall have furnished to the Representatives such written opinions, dated the Time of Delivery, in form and substance satisfactory to the Representatives, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Morgan, Lewis & Bockius LLP, counsel for the Company, shall have furnished to the Representatives their written opinion and 10b-5 statement, each dated the Time of Delivery, in the form attached as Annexes IIA and IIB hereto;

(d) Jeffrey M. Taylor, Secretary of the Company and Chief SEC & Corporate Governance Counsel and Assistant Secretary of the Parent, shall have furnished to the Representatives his written opinion, dated the Time of Delivery, in the form attached as Annex III hereto;

(e) (i) On the date of this Agreement, (ii) on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and (iii) at the Time of Delivery, PricewaterhouseCoopers LLP shall have furnished to the Representatives a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representatives, to the effect set forth in Annex I hereto;

(f) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, none of the Parent, the Company or any of the Parent's other subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree and (ii) since the date as of which information is given in the Pricing Prospectus there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Parent or increase in consolidated long-term debt of the Parent and its consolidated subsidiaries, or (B) any change, or any development involving a

prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Parent, the Company and the Parent's other subsidiaries, otherwise, in any such case described in clause (i) or (ii), than as set forth or contemplated in the Pricing Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus;

(g) On or after the Applicable Time (i) no downgrading shall have occurred in the rating accorded the Parent's or the Company's debt securities by S&P Global Ratings, a division of S&P Global Inc., or Moody's Investors Service, Inc., each a "nationally recognized statistical rating organization", as that term is defined by Section 3(a)(62) of the Exchange Act, and (ii) neither such organization shall have publicly announced (other than any announcement made prior to the Applicable Time) that it has under surveillance or review, with possible negative implications, its rating of any of the Parent's or the Company's debt securities;

(h) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Parent's or the Company's securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities declared by Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus; and

(i) Each of the Parent and the Company shall have furnished or caused to be furnished to the Representatives at the Time of Delivery certificates of officers of the Parent and the Company reasonably satisfactory to the Representatives as to the accuracy of the representations and warranties of the Parent and the Company, respectively, herein at and as of the Time of Delivery, as to the performance by the Parent and the Company of all their respective obligations hereunder to be performed at or prior to the Time of Delivery, as to the matters set forth in subsections (a), (f) and (g) of this Section and as to such other matters as the Representatives may reasonably request.

11. (a) The Parent and the Company will, jointly and severally, indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus or any "issuer information" filed or required to be filed pursuant to Rule 433 (d) under the Act, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; *provided*, *however*, that the Parent and the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information.

(b) Each Underwriter will, severally and not jointly, indemnify and hold harmless the Parent and the Company against any losses, claims, damages or liabilities, joint or several, to which the Parent or the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Parent and the Company for any legal or other expenses reasonably incurred by the Parent or the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ one separate counsel, and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate firm (in addition to one local counsel in each jurisdiction) if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) in an action where both the indemnifying and the indemnified party are actual or potential defendants, the indemnified party shall have reasonably concluded that there are actual or potential conflicting interests between the indemnifying party and the indemnified party, including situations in which there may be one or more legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. No indemnified party shall, without the written consent of the indemnifying party (such consent not to be unreasonably withheld), effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder.

(d) If the indemnification provided for in this Section 11 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Parent and the Company on the one hand and the Underwriters on the other from the offering of the Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Parent and the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Parent and the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Parent and the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Parent or the Company on the one hand or the Underwriter Information on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Parent, the Company, and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person

guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Parent and the Company under this Section 11 shall be in addition to any liability which the Parent and the Company may otherwise have and shall extend, upon the same terms and conditions, to the directors, officers, employees and agents of each Underwriter and to each person, if any, who controls any Underwriter within the meaning of the Act and each broker-dealer affiliate of any Underwriter; and the obligations of the Underwriters under this Section 11 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer, director and employee of the Parent or the Company and to each person, if any, who controls the Parent or the Company within the meaning of the Act.

12. (a) If any Underwriter shall default in its obligation to purchase the Securities which it has agreed to purchase hereunder, the Representatives may in their discretion arrange for any of the Representatives or another party or other parties to purchase such Securities on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Representatives do not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to the Representatives to purchase such Securities on such terms. In the event that, within the respective prescribed periods, the Representatives notify the Company that they have so arranged for the purchase of such Securities, or the Company notifies the Representatives that it has so arranged for the purchase of such Securities, the Representatives or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to prepare promptly any amendments to the Registration Statement or the Prospectus which in the opinion of the Representatives may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Securities.

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased does not exceed one-eleventh of the aggregate principal amount of all the Securities, then the Company shall have the right to require each non-defaulting Underwriter to purchase the principal amount of Securities which such Underwriter agreed to

purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the principal amount of Securities which such Underwriter agreed to purchase hereunder) of the Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of Securities which remains unpurchased exceeds one-eleventh of the aggregate principal amount of all the Securities, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Securities of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 9 hereof and the indemnity and contribution agreements in Section 11 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

13. The respective indemnities, agreements, representations, warranties and other statements of the Parent, the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, the Parent or the Company, or any officer or director or controlling person of the Parent or the Company and shall survive delivery of and payment for the Securities.

14. If for any reason, other than a default by the Underwriters in their obligation to purchase the Securities, any Securities are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters through the Representatives for all reasonable expenses approved in writing by the Representatives, including reasonable fees and disbursements of counsel, incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Securities not so delivered, but the Parent and the Company shall then be under no further liability to the Underwriters except as provided in Sections 9 and 11 hereof.

15. In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by the Representatives jointly.

16. All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail or facsimile transmission to the Representatives in care of: Mizuho Securities USA LLC, 320 Park Avenue, New York, New York 10022, Attention: Debt Capital Markets, Fax: 212-205-7812; MUFG Securities Americas Inc., 1221 Avenue of the Americas, 6th Floor, New York, New York 10020, Attention: Capital Markets Group, Fax: 646-434-3455; RBC Capital Markets, LLC, Brookfield Place, 200 Vesey Street, 8th Floor, New York, New York 10281, Attention: Transaction Management Group, Fax: 212-658-6137; or TD Securities (USA) LLC, 31 West 52nd Street, 2nd Floor, New York, New York 10019, Attention: Transaction Management Group; and if to the Parent or the Company shall be delivered or sent by mail to the address of the Company set forth in the Registration Statement or facsimile transmission to (856) 346-5899, Attention: Michael A. Sgro, Senior Vice President, General Counsel and Secretary. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

17. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Parent and the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

18. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Parent and the Company and, to the extent provided in Sections 11 and 13 hereof, the officers and directors of the Parent and the Company and each person who controls the Parent and the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Securities from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

19. Time shall be of the essence of this Agreement. As used herein, the term "**business day**" shall mean any day when the Commission's office in Washington, D.C. is open for business.

20. The Parent and the Company acknowledge and agree that (i) the purchase and sale of the Securities pursuant to this Agreement is an arm's-length commercial transaction between the Parent and the Company, on the one hand, and the several Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not as an agent or fiduciary of the Parent or the Company, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Parent or the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Parent or the Company) or any other obligation to the Parent or the Company except the obligations expressly set forth in this

Agreement and (iv) the Parent and the Company have consulted their own legal and financial advisors to the extent they deemed appropriate. The Parent and the Company agree that they will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Parent or the Company, in connection with such transaction or the process leading thereto.

21. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Parent, the Company and the Underwriters, or any of them, with respect to the subject matter hereof.

22. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

23. The Parent, the Company and each of the Underwriters hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

24. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

25. Notwithstanding anything herein to the contrary, each of the Parent and the Company are authorized to disclose to any persons the tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Parent and the Company relating to that treatment and structure, without the Underwriters imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, “tax treatment” means U.S. Federal and State income tax treatment, and “tax structure” is limited to any facts that may be relevant to that treatment.

If the foregoing is in accordance with your understanding, please sign and return to us five counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters, the Parent and the Company.

Very truly yours,

AMERICAN WATER CAPITAL CORP.

By: /s/ Charles Witherspoon
Name: Charles Witherspoon
Title: Vice President and Treasurer

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ Charles Witherspoon
Name: Charles Witherspoon
Title: Vice President and Treasurer

Accepted as of the date hereof:

Mizuho Securities USA LLC
MUFG Securities Americas Inc.
RBC Capital Markets, LLC
TD Securities (USA) LLC

On behalf of each of the Underwriters

MIZUHO SECURITIES USA LLC

By: /s/ Okwudiri Onyedum
Name: Okwudiri Onyedum
Title: Managing Director

MUFG SECURITIES AMERICAS INC.

By: /s/ Brian Cogliandro
Name: Brian Cogliandro
Title: Managing Director

RBC CAPITAL MARKETS, LLC

By: /s/ Scott G. Primrose
Name: Scott G. Primrose
Title: Authorized Signatory

TD SECURITIES (USA) LLC

By: /s/ Elsa Wang
Name: Elsa Wang
Title: Director

SCHEDULE I

	Principal Amount of 2028 Notes to be Purchased	Principal Amount of 2048 Notes to be Purchased
Mizuho Securities USA LLC	$ 96,875,000	$ 108,500,000
MUFG Securities Americas Inc.	$ 96,875,000	$ 108,500,000
RBC Capital Markets, LLC	$ 96,875,000	$ 108,500,000
TD Securities (USA) LLC	$ 96,875,000	$ 108,500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$ 50,000,000	$ 56,000,000
PNC Capital Markets LLC	$ 62,500,000	$ 70,000,000
J.P. Morgan Securities LLC	$ 18,750,000	$ 21,000,000
U.S. Bancorp Investments, Inc.	$ 18,750,000	$ 21,000,000
Wells Fargo Securities, LLC	$ 18,750,000	$ 21,000,000
BB&T Capital Markets, a division of BB&T Securities, LLC	$ 12,500,000	$ 14,000,000
Regions Securities LLC	$ 12,500,000	$ 14,000,000
Blaylock Van, LLC	$ 4,375,000	$ 4,900,000
C.L. King & Associates, Inc.	$ 4,375,000	$ 4,900,000
Loop Capital Markets LLC	$ 4,375,000	$ 4,900,000
MFR Securities, Inc.	$ 4,375,000	$ 4,900,000
Mischler Financial Group, Inc.	$ 4,375,000	$ 4,900,000
Multi-Bank Securities, Inc.	$ 4,375,000	$ 4,900,000
Samuel A. Ramirez & Company, Inc.	$ 4,375,000	$ 4,900,000

Siebert Cisneros Shank & Co., L.L.C.	$ 4,375,000	$ 4,900,000
Telsey Advisory Group LLC	$ 4,375,000	$ 4,900,000
The Williams Capital Group, L.P.	$ 4,375,000	$ 4,900,000
Total	$625,000,000	$700,000,000
Total	$1,325,000,000	

SCHEDULE II

a) Issuer Free Writing Prospectuses included in the Pricing Disclosure Package: Final term sheet attached hereto as Schedule III.

b) Issuer Free Writing Prospectuses not included in the Pricing Disclosure Package: Fixed Income Investor NetRoadshow dated August 2, 2018 and NetRoadshow dated August 6, 2018.

SCHEDULE III

August 6, 2018

American Water Capital Corp.
American Water Works Company, Inc.

$625,000,000 3.750% Senior Notes due 2028
$700,000,000 4.200% Senior Notes due 2048

Term Sheet

Issuer:	American Water Capital Corp.
Support Provider:	American Water Works Company, Inc.
Security:	3.750% Senior Notes due 2028 (the "2028 Notes") 4.200% Senior Notes due 2048 (the "2048 Notes")
Size:	$625,000,000 for the 2028 Notes $700,000,000 for the 2048 Notes
Trade Date:	August 6, 2018
Settlement Date:	August 9, 2018 (T+3)*
Maturity Date:	September 1, 2028 for the 2028 Notes September 1, 2048 for the 2048 Notes
Benchmark Treasury:	UST 2.875% due May 15, 2028 for the 2028 Notes UST 3.000% due February 15, 2048 for the 2048 Notes
Benchmark Treasury Yield:	2.932% for the 2028 Notes 3.083% for the 2048 Notes
Spread to Benchmark Treasury:	+82 bps for the 2028 Notes +112 bps for the 2048 Notes
Yield to Maturity:	3.752% for the 2028 Notes 4.203% for the 2048 Notes
Coupon:	3.750% for the 2028 Notes 4.200% for the 2048 Notes
Price to Public:	99.981% for the 2028 Notes 99.946% for the 2048 Notes
Interest Payment Dates:	2028 Notes: March 1 and September 1 of each year, beginning on March 1, 2019 2048 Notes: March 1 and September 1 of each year, beginning on March 1, 2019
Redemption Provisions:	
Make whole call:	Adjusted Treasury Rate +15 bps for the 2028 Notes Adjusted Treasury Rate +20 bps for the 2048 Notes
Par call:	On or after June 1, 2028, for the 2028 Notes On or after March 1, 2048, for the 2048 Notes
CUSIP:	2028 Notes: 03040W AS4 2048 Notes: 03040W AT2
ISIN:	2028 Notes: US03040WAS44 2048 Notes: US03040WAT27
Ratings (1):	[Intentionally omitted]

Joint Book-Running Managers:	Mizuho Securities USA LLC MUFG Securities Americas Inc. RBC Capital Markets, LLC TD Securities (USA) LLC Merrill Lynch, Pierce, Fenner & Smith Incorporated PNC Capital Markets LLC
Co-Managers:	J.P. Morgan Securities LLC U.S. Bancorp Investments, Inc. Wells Fargo Securities, LLC BB&T Capital Markets, a division of BB&T Securities, LLC Regions Securities LLC Blaylock Van, LLC C.L. King & Associates, Inc. Loop Capital Markets LLC MFR Securities, Inc. Mischler Financial Group, Inc. Multi-Bank Securities, Inc. Samuel A. Ramirez & Company, Inc. Siebert Cisneros Shank & Co., L.L.C. Telsey Advisory Group LLC The Williams Capital Group, L.P.

(1) Neither of these ratings is a recommendation to buy, sell or hold these securities. Each rating may be subject to revision or withdrawal at any time, and should be evaluated independently of any other rating.

The term "Adjusted Treasury Rate" has the meaning ascribed to that term in the Issuer's Preliminary Prospectus Supplement, dated August 6, 2018.

* The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on or about the third business day following the date of the prospectus supplement, or "T+3". Trades of securities in the secondary market generally are required to settle in two business days, referred to as T+2, unless the parties to a trade agree otherwise. Accordingly, by virtue of the fact that the initial delivery of the notes will not be made on a T+2 basis, investors who wish to trade the notes before a final settlement may be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement.

The Issuer and the Support Provider have filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Issuer and the Support Provider have filed with the SEC for more complete information about the Issuer, the Support Provider and this offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, any underwriter participating in the offering will arrange to send you the prospectus if you request it by calling Mizuho Securities USA LLC toll free at 866-271-7403, MUFG Securities Americas Inc. toll free at 877-649-6848, RBC Capital Markets, LLC toll free at 866-375-6829, or TD Securities (USA) LLC toll free at 855-495-9846.

SCHEDULE IV

Significant Subsidiaries of the Parent

New Jersey-American Water Company, Inc.
Pennsylvania-American Water Company
Missouri-American Water Company
Illinois-American Water Company
American Water Enterprises, LLC
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Section 3: EX-4.1 (EX-4.1)

Exhibit 4.1

AMERICAN WATER CAPITAL CORP.

OFFICERS' CERTIFICATE

AUGUST 9, 2018

3.750% SENIOR NOTES DUE 2028

PURSUANT TO SECTIONS 102 AND 301 OF THE INDENTURE IDENTIFIED BELOW

The undersigned officers of American Water Capital Corp., a Delaware corporation (the "Company"), acting pursuant to an authorization contained in the unanimous written consent, dated August 1, 2018, of the Board of Directors of the Company (the "Board Resolutions"), and Sections 102 and 301 of the Indenture, dated as of December 4, 2009 (the "Indenture", and unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them therein), between the Company and Wells Fargo Bank, National Association, as Trustee, do hereby certify as follows:

1) There is hereby established under the Indenture the following series of debt securities of the Company, and the terms of such series (the "Series") are as follows:

   a) The Series shall be known and designated as the "3.750% Senior Notes due 2028" of the Company (the "Securities");

   b) The terms of the Securities are as set forth in Annex A hereto;

   c) The Securities shall be redeemable at the option of the Company as specified and subject to the limitations set forth in Annex A hereto;

   d) The Securities shall not be entitled to the benefits of any sinking fund or analogous provisions;

   e) The Securities shall be subject to defeasance as specified and subject to the limitations set forth in Annex A hereto;

   f) The Securities will be issued in the form of one or more fully registered Global Securities which are exchangeable from time to time for fully registered certificated securities in accordance with the terms of the Indenture; and

   g) The Company will not pay additional amounts on the Securities held by a non-U.S. person in respect of taxes or similar charges withheld or deducted;

2) The undersigned have read the provisions of the Indenture relating to the authentication and delivery of securities thereunder, including Sections 201, 301 and 303 thereof and the definitions relating thereto;

3) The undersigned have read the Board Resolutions authorizing the issuance of the Securities and the taking of any action by such officers of the Company in connection therewith, and have made such investigation or examination as is necessary, in the opinion of the undersigned, to enable the undersigned to express an informed opinion as to whether the covenants and conditions precedent to the action to be taken by the Trustee in authenticating and delivering Securities under the Indenture have been complied with;

4) In the opinion of the undersigned, such covenants and conditions precedent have been complied with; and

5) The Securities are "Debt" under the Support Agreement, dated June 22, 2000 and amended as of July 26, 2000, between American Water Works Company, Inc. and the Company.

IN WITNESS WHEREOF, we have hereunto signed our names as of the date first written above.

By: /s/ Charles Witherspoon
Name: Charles Witherspoon
Title: Vice President and Treasurer

By: /s/ Jeffrey M. Taylor
Name: Jeffrey M. Taylor
Title: Secretary

ANNEX A

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

American Water Capital Corp.
3.750% Senior Notes due 2028

CUSIP No. 03040W AS4
ISIN No. US03040WAS44

No R. $

American Water Capital Corp., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Dollars on September 1, 2028, and to pay interest thereon from August 9, 2018 or from the most recent Interest Payment Date to which interest has been paid or as duly provided for semi-annually on March 1 and September 1, in arrears, commencing March 1, 2019, and on any earlier date of redemption, at the rate of 3.750% per annum, until the principal hereof is paid or made available for payment. Interest on this Security shall be computed assuming a 360-day year consisting of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the close of business on the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record

Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and any such interest on this Security will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts (i) with respect to any Global Security, by wire transfer of immediately available funds to the accounts specified by the Holder of such Global Security or (ii) with respect to any certificated Security, by wire transfer of immediately available funds to the respective accounts specified by the Holders of such certificated Security or, if no such account is specified, by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

AMERICAN WATER CAPITAL CORP.

By _____

TRUSTEE'S CERTIFICATION OF AUTHENTICATION

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
As Trustee

By _____
Authorized Signatory

Dated:

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of December 4, 2009 (herein called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and Wells Fargo Bank, National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

The Company may from time to time, without the consent of the Holders, create and issue Additional Securities, so that each such further issue shall be consolidated and form a single series with the Outstanding Securities of this series.

All or a portion of the Securities of this series may be redeemed at the option of the Company at any time or from time to time. The Redemption Price for the Securities of this series to be redeemed on any Redemption Date prior to June 1, 2028 will be equal to the greater of the following amounts: (a) 100% of the principal amount of the Securities of this series being redeemed on that Redemption Date; or (b) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities of this series being redeemed on that Redemption Date that would be payable if such Securities of this series matured on June 1, 2028 (not including any portion of any payments of interest accrued to that Redemption Date) discounted to that Redemption Date on a semi-annual basis at the Adjusted Treasury Rate (as defined below) plus 15 basis points, as determined by the Reference Treasury Dealer (as defined below), plus, in each case, accrued and unpaid interest thereon to that Redemption Date. The Redemption Price for the Securities of this series to be redeemed on any Redemption Date on or after June 1, 2028 will be equal to 100% of the principal amount of the Securities of this series being redeemed on that Redemption Date plus accrued and unpaid interest thereon to that Redemption Date. Notwithstanding the foregoing, installments of interest on the Securities of this series that are due and payable on Interest Payment Dates falling on or prior to a Redemption Date will be payable on the Interest Payment Date to the Holder of such Securities of this series as of the close of business on the relevant Regular Record Date. The Redemption Price will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Calculation of the Redemption Price will be made by the Company or on behalf of the Company by a person designated by the Company; provided that such calculation or the correctness thereof shall not be a duty or obligation of the Trustee.

The Company shall mail notice of any redemption at least 30 days but not more than 60 days before the Redemption Date to each Holder of the Securities of this series to be redeemed, and, if less than all of the Securities of this series are to be redeemed, the particular Securities of this series to be redeemed will be selected by the Trustee on a pro rata basis, by lot or in such manner as the Trustee shall deem appropriate and fair in accordance with DTC procedures. Unless the Company defaults in payment of the Redemption Price, on and after that Redemption Date, interest will cease to accrue on the Securities of this series or portions thereof called for redemption.

"*Adjusted Treasury Rate*" means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Securities of this series to be redeemed, calculated as if the maturity date of the Securities of this series were June 1, 2028 (the "Remaining Life"), that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life of such Security of this series.

"*Comparable Treasury Price*" means, with respect to any Redemption Date, (A) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (C) if only one Reference Treasury Dealer Quotation is received, such quotation.

"*Reference Treasury Dealer*" means (A) each of Mizuho Securities USA LLC, RBC Capital Markets, LLC and TD Securities (USA) LLC, or their respective affiliates which are primary U.S. Government securities dealers in the United States (a "Primary Treasury Dealer"), and a Primary Treasury Dealer selected by MUFG Securities Americas Inc., and its successors; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer(s) selected by the Company.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such Redemption Date.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security or certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

In connection with any proposed transfer of this Security if this Security ceases to be a Global Security, the Company or DTC shall be required to provide or cause to be provided to the Trustee all information that is (i) available to the Company or the DTC, as applicable, (ii) necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and (iii) specifically and timely requested in writing by the Trustee. Any transferor shall also provide or cause to be provided to the Trustee all information that is (i) available to such transferor, (ii) necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045, and (iii) specifically and timely requested by the Trustee. The Trustee may rely on information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

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Section 4: EX-4.2 (EX-4.2)

Exhibit 4.2

AMERICAN WATER CAPITAL CORP.

OFFICERS' CERTIFICATE

AUGUST 9, 2018

4.200% SENIOR NOTES DUE 2048

PURSUANT TO SECTIONS 102 AND 301 OF THE INDENTURE IDENTIFIED BELOW

The undersigned officers of American Water Capital Corp., a Delaware corporation (the "Company"), acting pursuant to an authorization contained in the unanimous written consent, dated August 1, 2018, of the Board of Directors of the Company (the "Board Resolutions"), and Sections 102 and 301 of the Indenture, dated as of December 4, 2009 (the "Indenture", and unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them therein), between the Company and Wells Fargo Bank, National Association, as Trustee, do hereby certify as follows:

1) There is hereby established under the Indenture the following series of debt securities of the Company, and the terms of such series (the "Series") are as follows:

   a) The Series shall be known and designated as the "4.200% Senior Notes due 2048" of the Company (the "Securities");

   b) The terms of the Securities are as set forth in Annex A hereto;

   c) The Securities shall be redeemable at the option of the Company as specified and subject to the limitations set forth in Annex A hereto;

   d) The Securities shall not be entitled to the benefits of any sinking fund or analogous provisions;

   e) The Securities shall be subject to defeasance as specified and subject to the limitations set forth in Annex A hereto;

   f) The Securities will be issued in the form of one or more fully registered Global Securities which are exchangeable from time to time for fully registered certificated securities in accordance with the terms of the Indenture; and

   g) The Company will not pay additional amounts on the Securities held by a non-U.S. person in respect of taxes or similar charges withheld or deducted;

2) The undersigned have read the provisions of the Indenture relating to the authentication and delivery of securities thereunder, including Sections 201, 301 and 303 thereof and the definitions relating thereto;

3) The undersigned have read the Board Resolutions authorizing the issuance of the Securities and the taking of any action by such officers of the Company in connection therewith, and have made such investigation or examination as is necessary, in the opinion of the undersigned, to enable the undersigned to express an informed opinion as to whether the covenants and conditions precedent to the action to be taken by the Trustee in authenticating and delivering Securities under the Indenture have been complied with;

4) In the opinion of the undersigned, such covenants and conditions precedent have been complied with; and

5) The Securities are "Debt" under the Support Agreement, dated June 22, 2000 and amended as of July 26, 2000, between American Water Works Company, Inc. and the Company.

IN WITNESS WHEREOF, we have hereunto signed our names as of the date first written above.

By: /s/ Charles Witherspoon
Name: Charles Witherspoon
Title: Vice President and Treasurer

By: /s/ Jeffrey M. Taylor
Name: Jeffrey M. Taylor
Title: Secretary

ANNEX A

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

American Water Capital Corp.
4.200% Senior Notes due 2048

CUSIP No. 03040W AT2
ISIN No. US03040WAT27

No R. $

American Water Capital Corp., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Dollars on September 1, 2048, and to pay interest thereon from August 9, 2018 or from the most recent Interest Payment Date to which interest has been paid or as duly provided for semi-annually on March 1 and September 1, in arrears, commencing March 1, 2019, and on any earlier date of redemption, at the rate of 4.200% per annum, until the principal hereof is paid or made available for payment. Interest on this Security shall be computed assuming a 360-day year consisting of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the close of business on the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall

be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and any such interest on this Security will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts (i) with respect to any Global Security, by wire transfer of immediately available funds to the accounts specified by the Holder of such Global Security or (ii) with respect to any certificated Security, by wire transfer of immediately available funds to the respective accounts specified by the Holders of such certificated Security or, if no such account is specified, by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

AMERICAN WATER CAPITAL CORP.

By _____

TRUSTEE'S CERTIFICATION OF AUTHENTICATION

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
As Trustee

By _____
Authorized Signatory

Dated:

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of December 4, 2009 (herein called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and Wells Fargo Bank, National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

The Company may from time to time, without the consent of the Holders, create and issue Additional Securities, so that each such further issue shall be consolidated and form a single series with the Outstanding Securities of this series.

All or a portion of the Securities of this series may be redeemed at the option of the Company at any time or from time to time. The Redemption Price for the Securities of this series to be redeemed on any Redemption Date prior to March 1, 2048 will be equal to the greater of the following amounts: (a) 100% of the principal amount of the Securities of this series being redeemed on that Redemption Date; or (b) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities of this series being redeemed on that Redemption Date that would be payable if such Securities of this series matured on March 1, 2048 (not including any portion of any payments of interest accrued to that Redemption Date) discounted to that Redemption Date on a semi-annual basis at the Adjusted Treasury Rate (as defined below) plus 20 basis points, as determined by the Reference Treasury Dealer (as defined below), plus, in each case, accrued and unpaid interest thereon to that Redemption Date. The Redemption Price for the Securities of this series to be redeemed on any Redemption Date on or after March 1, 2048 will be equal to 100% of the principal amount of the Securities of this series being redeemed on that Redemption Date plus accrued and unpaid interest thereon to that Redemption Date. Notwithstanding the foregoing, installments of interest on the Securities of this series that are due and payable on Interest Payment Dates falling on or prior to a Redemption Date will be payable on the Interest Payment Date to the Holder of such Securities of this series as of the close of business on the relevant Regular Record Date. The Redemption Price will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Calculation of the Redemption Price will be made by the Company or on behalf of the Company by a person designated by the Company; provided that such calculation or the correctness thereof shall not be a duty or obligation of the Trustee.

The Company shall mail notice of any redemption at least 30 days but not more than 60 days before the Redemption Date to each Holder of the Securities of this series to be redeemed, and, if less than all of the Securities of this series are to be redeemed, the particular Securities of this series to be redeemed will be selected by the Trustee on a pro rata basis, by lot or in such manner as the Trustee shall deem appropriate and fair in accordance with DTC procedures. Unless the Company defaults in payment of the Redemption Price, on and after that Redemption Date, interest will cease to accrue on the Securities of this series or portions thereof called for redemption.

"*Adjusted Treasury Rate*" means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Securities of this series to be redeemed, calculated as if the maturity date of the Securities of this series were March 1, 2048 (the "Remaining Life"), that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life of such Security of this series.

"*Comparable Treasury Price*" means, with respect to any Redemption Date, (A) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (C) if only one Reference Treasury Dealer Quotation is received, such quotation.

"*Reference Treasury Dealer*" means (A) each of Mizuho Securities USA LLC, RBC Capital Markets, LLC and TD Securities (USA) LLC, or their respective affiliates which are primary U.S. Government securities dealers in the United States (a "Primary Treasury Dealer"), and a Primary Treasury Dealer selected by MUFG Securities Americas Inc., and its successors; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer(s) selected by the Company.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such Redemption Date.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security or certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

In connection with any proposed transfer of this Security if this Security ceases to be a Global Security, the Company or DTC shall be required to provide or cause to be provided to the Trustee all information that is (i) available to the Company or the DTC, as applicable, (ii) necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and (iii) specifically and timely requested in writing by the Trustee. Any transferor shall also provide or cause to be provided to the Trustee all information that is (i) available to such transferor, (ii) necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045, and (iii) specifically and timely requested by the Trustee. The Trustee may rely on information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.
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Section 5: EX-5.1 (EX-5.1)

Exhibit 5.1

Morgan Lewis

August 9, 2018

American Water Works Company, Inc.
American Water Capital Corp.
1025 Laurel Oak Road
Voorhees, New Jersey 08043

Ladies and Gentlemen:

We have acted as counsel to American Water Works Company, Inc., a Delaware corporation ("AWW"), and American Water Capital Corp., a Delaware corporation (the "Company"), in connection with the issuance by the Company of $625,000,000 aggregate principal amount of its 3.750% Senior Notes due 2028 and $700,000,000 aggregate principal amount of its 4.200% Senior Notes due 2048 (together, the "Notes"), issued under the Indenture, dated as of December 4, 2009 (the "Indenture"), between the Company and Wells Fargo Bank, National Association, as trustee (the "Trustee"), which Notes have the benefit of the Support Agreement, dated June 22, 2000, as amended as of July 26, 2000, between the Company and AWW (the "Support Agreement").

We have participated in the preparation of or reviewed (1) the Registration Statement on Form S-3 (Registration Nos. 333-224558 and 333-224558-01) (the "Registration Statement"), which Registration Statement was filed jointly by the Company and AWW with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"); (2) the prospectus dated May 1, 2018 (the "Base Prospectus"), forming a part of the Registration Statement, as supplemented by a prospectus supplement dated August 6, 2018 (the "Prospectus Supplement") relating to the Notes, both such prospectus and prospectus supplement filed pursuant to Rule 424(b) under the Securities Act; (3) the Indenture; (4) the Support Agreement; (5) the certificate of incorporation of the Company; (6) the by-laws, as amended, of the Company; (7) the restated certificate of incorporation of AWW; (8) the amended and restated bylaws of AWW; and (9) such other corporate records, certificates and other documents (including a receipt executed on behalf of the Company acknowledging receipt of the purchase price for the Notes) and such questions of law as we have considered necessary or appropriate for the purposes of this opinion.

Morgan, Lewis & Bockius LLP

101 Park Avenue
New York, NY 10178-0060
United States

+1.215.309.6000
+1.215.309.6001

Based on the foregoing, we are of the opinion that the Notes and the Support Agreement, as it relates to the Notes, are valid and binding obligations of the Company and AWW, respectively, except as may be limited or affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights and remedies generally and general principles of equity.

In rendering the foregoing opinion, we have assumed that the certificates representing the Notes conform to specimens examined by us and that the Notes have been duly authenticated, in accordance with the Indenture, by the Trustee under the Indenture and that the signatures on all documents examined by us are genuine, assumptions which we have not independently verified.

We hereby consent to the reference to us under the heading "Legal Matters" in each of the Base Prospectus and the Prospectus Supplement, to the references to us in the Registration Statement, including under the heading "Legal Matters" in the Base Prospectus, and to the filing of this opinion as an exhibit to AWW's Current Report on Form 8-K to be filed on or about the date hereof, which will be incorporated by reference in the Registration Statement. In giving the foregoing consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

This opinion is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the federal laws of the United States insofar as they bear on matters covered hereby.

Very truly yours,

/s/ Morgan, Lewis & Bockius LLP

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Section 6: EX-10.1 (EX-10.1)

Exhibit 10.1

AMERICAN WATER WORKS COMPANY, INC.
AND ITS DESIGNATED SUBSIDIARIES
2017 NONQUALIFIED EMPLOYEE STOCK PURCHASE PLAN

(as amended and restated as of August 5, 2018)

The purpose of this American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan is to provide Eligible Employees of AWW and its Subsidiaries an opportunity to purchase shares of Stock of AWW. The Board of Directors of AWW believes that employee stock ownership will benefit both Eligible Employees and AWW's stockholders. The Plan is not intended to qualify as an "Employee Stock Purchase Plan," as set forth in section 423 of the Code. All capitalized terms shall have the meaning set forth for such term under Article I below.

ARTICLE I
DEFINITIONS

Section 1.01 *"Applicable Holding Period"* means, subject to Section 5.05 below, the six (6) month period following the Purchase Date during which a Participant is required to hold any shares of Stock purchased on his or her behalf pursuant to the Plan; provided, however, in the event of a Participant's death, the Applicable Holding Period shall be deemed satisfied as of the Participant's date of death.

Section 1.02 *"AWW"* means American Water Works Company, Inc.

Section 1.03 *"Board of Directors"* means the Board of Directors of AWW.

Section 1.04 *"Code"* means the Internal Revenue Code of 1986, as amended.

Section 1.05 *"Committee"* means the committee appointed by the Board of Directors to administer the Plan, as provided in Section 5.04 below.

Section 1.06 *"Compensation"* means a Participant's base wages, exclusive of overtime pay, commissions, bonuses, premium pay, shift differential pay, any compensation reductions made in connection with plans described in sections 401(k), 125 or 132(f)(4) of the Code, and any other extraordinary remuneration, as determined by the Committee in its sole and absolute discretion.

Section 1.07 *"Effective Date"* shall mean August 5, 2018, the effective date of the amendment and restatement of the Plan. The "*Original Effective Date*" is August 5, 2017.

Section 1.08 *"Election Date"* means the first day of the month of each calendar quarter or such other dates as the Committee shall specify. The first Election Date for the Plan shall be the Original Effective Date.

Section 1.09 "*Eligible Employee*"

(a) Subject to Section 1.09(b) and Section 1.09(c) below, the term "Eligible Employee" includes each employee, including a part-time employee, of the Employer.

(b) Notwithstanding Section 1.09(a) above, the term "Eligible Employee" shall not include:

(i) an employee who is classified by the Committee, or its delegate, as a temporary employee or leased employee;

(ii) with respect to any Purchase Period, an employee who terminates employment, dies or is determined to be disabled prior to the applicable Purchase Date;

(iii) unless the Committee specifically designates otherwise as set forth in Section 1.21 below, an employee who is employed by a non-U.S. subsidiary;

(iv) an employee who has been determined by the Board of Directors to be an "officer," as such term is defined in Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934, as amended, as such rule may be in effect from time to time, with respect to AWW; or

(v) an employee who owns stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Employer, which shall be determined by applying rules consistent with those reflected in section 423(b)(3) of the Code, which would otherwise apply if the Plan were intended to be a qualified employee stock purchase plan.

(c) Notwithstanding anything herein to the contrary, if an employee's status changes during the Purchase Period, but such change in status is not otherwise discovered or brought to the attention of the Committee within a reasonable period prior to any Purchase Date, the Committee, or its delegate, may deem such individual to be an Eligible Employee despite the exclusions described in this Section 1.09.

Section 1.10 *"Employer"* means AWW and each Subsidiary.

Section 1.10A "*Fixed Contribution Amount*" means an amount of Compensation paid to, or on behalf of, a Participant during a payroll period in a Purchase Period, that is selected by the Participant (in whole dollars only) for deduction and contribution to the Plan with respect to a Purchase Period, up to the lesser of:

(a) the Participant's Net Compensation for such payroll period; and

(b) $2,500, or such other amount as may be determined by the Committee;

provided, however, that no deduction of the Fixed Contribution Amount may result in a Participant exceeding the aggregate Maximum Deduction Amount as provided in Section 1.12(b) hereof.

Section 1.11 *"Market Value"* means the last price for the Stock as reported on New York Stock Exchange for the date of reference. If there was no such price reported for the date of reference, "Market Value" means the last reported price for the Stock on the day immediately preceding the date of reference for which such price was reported or, if there was no such reported price, the fair market value of a share of Stock as determined by the Committee.

Section 1.12 *"Maximum Deduction Amount"* means, unless otherwise adjusted by the Committee:

(a) with respect to a Purchase Period, the Percentage Contribution Amount or, if applicable, Fixed Contribution Amount, as selected by a Participant; and

(b) with respect to all deductions by a Participant under the Plan during a Plan Year, $25,000 in the aggregate.

Section 1.12A "*Net Compensation*" means, with respect to a payroll period in a Purchase Period, the amount of Compensation paid to, or on behalf of, a Participant during such payroll period, minus all applicable federal (including FICA), state and local tax withholding requirements, and any and all other payroll deductions and other withholdings (other than the Fixed Contribution Amount with respect to such Purchase Period) required or elected by the Participant to be made therefrom during such Purchase Period, rounded down to the next whole dollar.

Section 1.13 *"Participant"* means each Eligible Employee who:

(a) elects to participate in the Plan in accordance with Article II;

(b) acknowledges and agrees to abide by the Applicable Holding Period and

(c) has not otherwise voluntarily elected to cease his or her participation in the Plan and has not otherwise requested and received all funds held on account of the Participant in the Plan.

Section 1.13A "*Percentage Contribution Amount*" means a percentage, as selected by a Participant, from one percent (1%) to ten percent (10%) of each payment of Compensation paid to, or on behalf of, a Participant during a Purchase Period.

Section 1.14 *"Plan"* means the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, as set forth herein and as hereafter amended.

Section 1.15 *"Plan Year"* means each calendar year during which the Plan is in effect.

Section 1.16 *"Purchase Agreement"* means the instrument or other method prescribed by the Committee or its delegate pursuant to which an Eligible Employee may enroll as a Participant and subscribe for the purchase of shares of Stock on the terms and conditions offered by AWW. The Purchase Agreement is intended to evidence AWW's offer of an option to the Eligible Employee to purchase Stock on the terms and conditions set forth therein and herein; provided, however, in the event of a conflict between the Purchase Agreement and this Plan, the terms of the Plan shall control.

Section 1.17 *"Purchase Date"* means the last Trading Date of each Purchase Period.

Section 1.18 *"Purchase Period"* means each three (3) month period, or such other period specified by the Committee, beginning on or after the Original Effective Date, during which the Participant's Stock purchase is funded through payroll deduction accumulations (and, if applicable, contributions made pursuant to Section 2.05(c) below). The first Purchase Period shall begin on the Original Effective Date and continue until the last Trading Date of the calendar quarter next following the Original Effective Date. Unless the Committee determines otherwise, each subsequent Purchase Period, after the first Purchase Period, shall begin on the first day of the calendar quarter next following the preceding Purchase Date and continue until the last Trading Date of the calendar quarter in which such Purchase Period began.

Section 1.19 *"Purchase Price"* means the purchase price for shares of Stock purchased under the Plan, determined as set forth in Section 3.01 below.

Section 1.20 *"Stock"* means the common stock, par value $0.01 per share, of AWW.

Section 1.21 "*Subsidiary*"

(a) The term "Subsidiary" means any present or future corporation, trust, partnership, limited partnership, limited liability company or other entity, of which the Company or another Subsidiary owns greater than fifty percent (50%) of the aggregate voting interests in such entity and that is designated as a participating entity in the Plan by the Committee or its delegate.

(b) Unless the Committee specifically designates otherwise, a non-U.S. subsidiary shall not be considered a Subsidiary for purposes of the Plan, and employees of such a subsidiary shall not be Eligible Employees.

Section 1.22 *"Trading Date"* means a day on which the New York Stock Exchange is open for trading.

ARTICLE II
PARTICIPATION

Section 2.01 *Initial Participation*. An Eligible Employee may elect to participate in the Plan by properly executing a Purchase Agreement and filing such Purchase Agreement with the Committee or its delegate, at such time in advance of the Election Date as the Committee or its delegate shall prescribe.

Section 2.02 *Continuation of Participation*.

(a) The Purchase Agreement shall remain in effect until it is modified through discontinuance of participation under Section 2.03 below or otherwise changed under Section 2.05 below.

(b) A Participant who is on a leave of absence approved by an Employer may continue to participate in the Plan during the leave of absence to the extent such Participant continues to receive Compensation, which is sufficient to satisfy the payroll deductions and any other legally required deductions or withholding obligations, as the Committee may determine in its sole and absolute discretion.

Section 2.03 *Discontinuance of Participation*.

(a) To the extent legally permissible, a Participant may voluntarily cease his or her participation in the Plan and stop payroll deductions at any time by filing a notice of cessation of participation on such form and at such time in advance of the Purchase Date as the Committee, or its delegate, shall prescribe. A Participant who ceases contributions during a Purchase Period may not make additional contributions to the Plan during the Purchase Period and may request payment of any funds held for the Participant under the Plan on such form and at such time in advance of the Purchase Date as the Committee, or its delegate, shall prescribe. Any funds remaining in the Participant's account on the Purchase Date shall be used to purchase Stock pursuant to Section 3.04 below, if the Participant is then an Eligible Employee.

(b) Notwithstanding subsection Section 2.03, if a Participant ceases to be an Eligible Employee, his or her participation in the Plan shall automatically cease and no further purchase of Stock shall be made for the Participant. Any funds held for the Participant under the Plan shall be distributed to the Participant.

Section 2.04 *Readmission to Participation*.

(a) Any Eligible Employee who:

(i) was previously a Participant;

(ii) discontinued participation (whether by cessation of eligibility or otherwise); and

(iii) wishes to be reinstated as a Participant,

may again become a Participant by executing and filing with the Committee a new Purchase Agreement.

(b) Reinstatement as a Participant shall be effective as of the next Election Date, provided the Participant is an Eligible Employee and the Participant files a new Purchase Agreement with the Committee, or its delegate, at such time in advance of the Election Date as the Committee, or its delegate, shall prescribe.

Section 2.05 *Payroll Deductions and Deposits*.

(a) Each Participant shall authorize after-tax payroll deductions from his or her Compensation for the purpose of funding the purchase of Stock pursuant to his or her Purchase Agreement. In the Purchase Agreement, each Participant shall authorize the withholding of the Percentage Contribution Amount, or the Fixed Contribution Amount (but not both), if the Committee or its delegate has elected to provide for a Fixed Contribution Amount, from each payment of Compensation during the Purchase Period, which, together with his or her contributions toward the purchase of Stock pursuant to subsection (c) below, may not exceed, in the aggregate for such Plan Year, the Maximum Deduction Amount.

(b) To the extent permissible by law or under the Plan, if a Fixed Contribution Amount has been provided for pursuant to Section 2.05(a), a Participant may change his or her deduction from a Fixed Contribution Amount to a Percentage Contribution Amount (or vice versa), and may change the amount of the Participant's deduction to any permissible amount or percentage, as the case may be, as permitted by the Committee or its delegate, as of any time prior to an Election Date. A change shall be made by filing with the Committee or its delegate a new Purchase Agreement, which shall become effective as soon as administratively practicable following receipt by the Committee or its delegate.

(c) The Committee may allow Participants to deposit funds with AWW to be used for the purpose of purchasing Stock pursuant to their Purchase Agreements, in addition to payroll deductions pursuant to Section 2.05(a) above; provided, however:

(i) the total amount that a Participant may contribute to the Plan during a Purchase Period (through payroll deductions and deposits) may not exceed the Maximum Deduction Amount, and

(ii) the deposit of funds by a Participant will only be permitted if the Participant designates the timing and amount to be deposited on an executed Purchase Agreement that is filed with the Committee, or its delegate, at such time in advance of the Election Date as the Committee shall prescribe.

Section 2.06 *Participant Rights and Privileges*. Notwithstanding anything herein to the contrary, all Participants shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code.

ARTICLE III
STOCK PURCHASE AND DISTRIBUTION

Section 3.01 *Purchase Price of Shares*. Unless the Committee determines otherwise, the Purchase Price per share of the Stock to be sold to Participants under the Plan shall be the lesser of:

(a) 90% of the Market Value of such share on the Purchase Date, or

(b) 90% of the Market Value of such share on the first Trading Date of the Purchase Period.

Section 3.02 *Exercise of Purchase Privilege*.

(a) As of the first day of each Purchase Period, each Participant shall be granted an option to purchase shares of Stock at the Purchase Price specified in Section 3.01 above. The option shall continue in effect through the Purchase Date for the Purchase Period. Subject to the provisions of Section 3.04 below, on each Purchase Date, the Participant shall automatically be deemed to have exercised his or her option to purchase shares of Stock, unless he or she notifies the Committee or its delegate, in such manner and at such time in advance of the Purchase Date as the Committee shall prescribe, of his or her desire to forfeit such option and subject to any restrictions that may be imposed by the Committee, to receive a refund of any outstanding amounts that have been deducted pursuant to the Participant's Purchase Agreement or contributed toward the purchase of Stock pursuant to Section 2.05(c) above.

(b) Subject to the provisions of Section 3.02 above and Section 3.04 below, there shall be purchased for the Participant on each Purchase Date, at the Purchase Price for the Purchase Period, the largest number of shares of Stock, including fractional shares thereof, as can be purchased with the amounts deducted from the Participant's Compensation, or contributed toward the purchase of Stock pursuant to Section 2.05(c) above, during the Purchase Period.

(c) Notwithstanding anything herein to the contrary, in the unlikely event or limited instances that any amounts that are attributable to a Participant's deductions or contributions remain after the purchase of shares of Stock on a Purchase Date, such amounts shall be returned to the Participant, in accordance with Section 3.04(c) below, as soon as administratively practicable.

Section 3.03 *Reservation of Shares*. There shall be two million (2,000,000) shares of Stock reserved for issuance or transfer under the Plan, subject to adjustment in accordance with Section 4.02 below. The aggregate number of shares of Stock that may be purchased under the Plan shall not exceed the number of shares of Stock reserved under the Plan.

Section 3.04 *Limitation on Shares to Be Purchased*.

(a) Subject to Section 3.04(a)(iii) below, the maximum number of shares of Stock that may be purchased for each Participant on a Purchase Date is the least of:

(i) the number of shares of Stock that can be purchased by applying the full balance of the Participant's deducted or deposited funds to the purchase of shares of Stock at the Purchase Price;

(ii) the Participant's proportionate part of the maximum number of shares of Stock available under the Plan, as provided in Section 3.03 and Section 4.01(a) below; or

(iii) five thousand (5,000) shares of Stock, subject to adjustment as described in Section 4.02 below.

(b) Notwithstanding Section 3.04(a) above, before the beginning of a Purchase Period, the Committee, in its sole and absolute discretion, may increase or decrease the maximum share limit for the Purchase Period and subsequent Purchase Periods. The adjusted maximum share limit shall continue in effect until again adjusted by the Committee.

(c) Any amounts deducted from a Participant's Compensation that cannot be applied to the purchase of Stock on a Purchase Date by reason of the foregoing limitations described in Section 3.04(a) above, shall be returned to the Participant, as soon as administratively practicable.

Section 3.05 *Payment for Stock*. The Purchase Price for all shares of Stock purchased by a Participant under the Plan shall be paid out of the Participant's authorized payroll deductions (and any deposits made by a Participant pursuant to Section 2.05(c) above, if permitted by the Committee). All funds received or held by AWW under the Plan are general assets of AWW, shall be held free of any trust requirement or other restriction, and may be used for any corporate purpose.

Section 3.06 *Share Ownership; Issuance of Certificates*.

(a) The shares of Stock purchased by a Participant on a Purchase Date shall, for all purposes, be deemed to have been issued or sold at the close of business on the Purchase Date. Prior to that time, none of the rights or privileges of a stockholder of AWW shall inure to the Participant with respect to such shares of Stock. All the shares of Stock purchased under the Plan shall be delivered by AWW in a manner as determined by the Committee following the Participant's satisfaction of the Applicable Holding Period.

(b) The Committee, in its sole discretion, may determine that shares of Stock shall be delivered by:

(i) issuing and delivering the number of shares of Stock purchased to a firm which is a member of the Financial Industry Regulatory Authority, as selected by the Committee from time to time, which shares shall be maintained by such firm in a separate brokerage account for each Participant, or

(ii) issuing and delivering the number of shares of Stock purchased by Participants to a bank or trust company or affiliate thereof, as selected by the Committee from time to time, which shares may be held by such bank or trust company or affiliate in street name, but with a separate account maintained by such entity for each Participant reflecting such Participant's share interests in the Stock.

(c) Each account described in Section 3.06(b) above shall be in the name of the Participant.

Section 3.07 *Distribution of Shares or Resale of Stock.*

(a) A Participant may request a distribution of shares of Stock purchased for the Participant under the Plan or order the sale of such shares following the Participant's satisfaction of the Applicable Holding Period, by making a request in such form and at such time as the Committee shall prescribe.

(b) If a Participant terminates his or her employment with the Employer or otherwise ceases to be an Eligible Employee, following the Participant's satisfaction of the Applicable Holding Period, the Participant shall receive a distribution of his or her shares of Stock held in any stockholder account established pursuant to Section 3.06(b) above, which shall be effectuated by the Committee in a manner that it deems reasonable and appropriate, as determined by the Committee in its sole and absolute discretion, or, in lieu of the receipt of shares of Stock, the Participant may alternatively elect to instead have the shares of Stock sold, in accordance with such procedures as the Committee shall prescribe.

(c) If a Participant is to receive a distribution of shares of Stock, or if shares are to be sold, the distribution or sale shall be made in shares of Stock. Any brokerage commissions resulting from a sale of Stock shall be deducted from amounts payable to the Participant.

ARTICLE IV
SPECIAL ADJUSTMENTS

Section 4.01 *Shares Unavailable*. If, on any Purchase Date, the aggregate funds available for the purchase of Stock would otherwise permit the purchase of a number of shares Stock in excess of the number then available for purchase under the Plan, the following adjustments shall be made:

(a) The number of shares of Stock that would otherwise be purchased by each Participant shall be proportionately reduced on the Purchase Date in order to eliminate such excess; and

(b) The Plan shall automatically terminate immediately after the Purchase Date as of which the supply of available shares is exhausted, unless the Board of Directors determines otherwise.

Section 4.02 *Anti-Dilution Provisions*. The aggregate number of shares of Stock reserved for purchase under the Plan, as provided in Section 3.03 above, the maximum number of shares that may be purchased by a Participant as provided in Section 3.04 above, and the calculation of the Purchase Price per share shall be equitably adjusted by the Committee to reflect any increase or decrease in the number of issued shares of Stock resulting from a subdivision or consolidation of shares or other capital adjustment, the payment of a stock dividend, or other increase or decrease in the shares, if effected without receipt of consideration by AWW.

Section 4.03 *Effect of Certain Transactions*. Subject to any required action by the stockholders, if AWW shall be the surviving corporation in any merger or consolidation, any offering hereunder shall continue to pertain to and apply to the shares of stock of AWW. However, in the event of a dissolution or liquidation of AWW, or a merger or consolidation in which AWW is not the surviving corporation, the Plan and any offering hereunder shall terminate upon the effective date of such dissolution, liquidation, merger or consolidation, unless the Board of Directors determines otherwise, and the balance of any amounts deducted from a Participant's Compensation (or deposited pursuant to Section 2.05(c) above) which have not by such time been applied to the purchase of Stock shall be returned to the Participant, as soon as reasonably practicable.

ARTICLE V
MISCELLANEOUS

Section 5.01 *Non-Alienation*. Except as set forth below, the right to purchase shares of Stock under the Plan is personal to the Participant, is exercisable only by the Participant during the Participant's lifetime and may not be assigned or otherwise transferred by the Participant. If a Participant dies, unless the executor, administrator or other personal representative of the deceased Participant directs otherwise, any amounts previously deducted from the Participant's Compensation (or deposited pursuant to Section 2.05(c) above before the Participant's death) during the Purchase Period in which the Participant dies shall be used to purchase Stock on the Purchase Date for the Purchase Period. After that Purchase Date, there shall be delivered to the executor or administrator or other personal representative of the deceased Participant all shares of Stock and such residual amounts as may remain to the Participant's credit under the Plan.

Section 5.02 *Administrative Costs*. AWW shall pay the administrative expenses associated with the operation of the Plan (other than brokerage commissions resulting from sales of Stock directed by Participants).

Section 5.03 *No Interest*. No interest shall be payable with respect to amounts withheld or deposited under the Plan.

Section 5.04 *Committee*. The Board of Directors shall appoint the Committee, which shall have the express discretionary authority and power to administer the Plan and to make, adopt, construe, and enforce rules and regulations not inconsistent with the provisions of the Plan. The Committee shall adopt and prescribe the contents of all forms required in connection with the administration of the Plan, including, but not limited to, the Purchase Agreement, payroll deduction authorizations, requests for distribution of shares, and all other notices required hereunder. The Committee shall have the fullest discretion permissible under law in the discharge of its duties. The Committee's interpretations and decisions with respect to the Plan shall be final and conclusive. The Committee may delegate certain administrative or ministerial matters under the Plan to one or more officer or officers of the Company (or their designees) as determined in the Committee's discretion, and such persons may have the authority to (i) maintain or cause to be maintained (including through a third party administrator) records relating to the operation and maintenance of the Plan; (ii) process or oversee the issuance of, or cause to be issued, shares to a Participant upon the sale of Stock under the Plan; and (iii) take such other administrative or ministerial actions, or cause such actions to be taken, as the Committee may authorize.

Section 5.05 *Withholding of Taxes; Notification of Transfer.* All acquisitions and sales of Stock under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements if the Internal Revenue Service or other taxing authority requires such withholding. AWW may require that Participants pay to AWW (or make other arrangements satisfactory to AWW for the payment of) the amount of any Federal, state or local taxes that AWW is required to withhold with respect to the purchase of Stock or the sale of Stock acquired under the Plan, or instead deduct from the Participant's wages or other compensation the amount of any withholding taxes due with respect to the purchase of Stock or the sale of Stock acquired under the Plan.

Section 5.06 *Amendment of the Plan*. The Board of Directors may, at any time and from time to time, amend the Plan in any respect, except that any amendment that is required to be approved by the stockholders shall be submitted to the stockholders of AWW for approval.

Section 5.07 *Expiration and Termination of the Plan*. The Plan shall continue in effect for ten years from the Original Effective Date, unless terminated prior to that date pursuant to the provisions of the Plan or pursuant to action by the Board of Directors. The Board of Directors shall have the right to terminate the Plan at any time without prior notice to any Participant and without liability to any Participant. Upon the expiration or termination of the Plan, the balance, if any, then standing to the credit of each Participant from amounts deducted from the Participant's Compensation or deposited by the Participant which has not, by such time, been applied to the purchase of Stock shall be refunded to the Participant.

Section 5.08 *No Employment Rights*. Participation in the Plan shall not give an employee any right to continue in the employment of an Employer, and shall not affect the right of the Employer to terminate the employee's employment at any time, with or without cause.

Section 5.09 *Repurchase of Stock*. AWW shall not be required to purchase or repurchase from any Participant any of the shares of Stock that the Participant acquires under the Plan.

Section 5.10 *Notice*. A Purchase Agreement and any notice that a Participant files pursuant to the Plan shall be on a form prescribed by the Committee and shall be effective only when received by the Committee or its delegate. Delivery of such forms may be made by hand or by certified mail, sent postage prepaid, to AWW's Senior Vice President of Human Resources, or such other address as the Committee may designate. Delivery by any other mechanism shall be deemed effective at the option and discretion of the Committee.

Section 5.11 *Government Regulation*. AWW's obligation to sell and to deliver the Stock under the Plan is at all times subject to all approvals of any governmental authority required in connection with the authorization, issuance, sale or delivery of such Stock.

Section 5.12 *Internal Revenue Code and ERISA Considerations*. The Plan is neither intended to constitute an "employee stock purchase plan" within the meaning of section 423 of the Code nor intended to be construed as constituting an "employee benefit plan," within the meaning of section 3 (3) of the Employee Retirement Income Security Act of 1974, as amended.

Section 5.13 *Section 409A*. The Plan is intended to comply with the requirements of section 409A of the Code, to the extent applicable. All options granted under the Plan shall be construed and administered such that such option either (i) qualifies for an exemption from the requirements of section 409A of the Code or (ii) satisfies the requirements of section 409A of the Code. If an option is subject to section 409A of the Code, the exercise of such option shall only be made in a manner and upon an event permitted under section 409A of the Code and in no event shall an Eligible Employee, directly or indirectly, designate the calendar year in which an exercise occurs. Notwithstanding the foregoing, although options are intended to be exempt from, or comply with, the requirements of section 409A of the Code, and the Plan shall be interpreted accordingly, AWW does not warrant that any option will qualify for favorable tax treatment under section 409A of the Code or any other provision of federal, state, local or foreign law. AWW shall not be liable to any Eligible Employee for any tax the Eligible Employee might owe as a result of the grant or exercise of an option, or holding of any shares of Stock received upon exercise of the option, under the Plan.

Section 5.14 *Headings, Captions, Gender*. The headings and captions herein are for convenience of reference only and shall not be considered as part of the text. The masculine shall include the feminine, and vice versa. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may read as the plural and the plural as the singular.

Section 5.15 *Severability of Provisions, Prevailing Law*. The provisions of the Plan shall be deemed severable. In the event any such provision is determined to be unlawful or unenforceable by a court of competent jurisdiction or by reason of a change in an applicable statute, the Plan shall continue to exist as though such provision had never been included therein (or, in the case of a change in an applicable statute, had been deleted as of the date of such change). The Plan shall be governed by the laws of the State of New Jersey to the extent such laws are not in conflict with, or superseded by, federal law.

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Section 1: 8-K (8-K - APPROVAL OF NJAWC GENERAL RATE CASE SETTLEMENT)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 29, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)

(856) 955-4001
(Registrant's telephone number, including area code)

1025 Laurel Oak Road, Voorhees, NJ 08043
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01. Other Events.

Approved Settlement of New Jersey-American Water Company General Rate Case

On October 29, 2018, the New Jersey Board of Public Utilities (the "NJBPU") issued an order approving a stipulation and settlement of a general rate case filed on September 15, 2017 by New Jersey-American Water Company, Inc. ("NJAWC"), a wholly owned subsidiary of American Water Works Company, Inc. The stipulation and settlement was entered among NJAWC, the staff of the NJBPU and the New Jersey Division of Rate Counsel. The order approves a $40 million annual increase in water and wastewater revenues, effective as of June 15, 2018, based on an authorized return on equity ("ROE") of 9.6%, authorized rate base of $2.95 billion, a common equity ratio of 54% and a long-term debt ratio of 46%, compared to an authorized ROE of 9.75%, authorized rate base of $2.39 billion, common equity ratio of 52% and long-term debt ratio of 48%, as approved in NJAWC's 2015 general rate case. The order also approves the inclusion of $35 million in distribution system improvement charges in base rates. Further, the order remands the regulatory treatment of acquisition adjustments to the NJBPU's Office of Administrative Law for a separate proceeding, which NJAWC anticipates will be concluded in the first quarter of 2019. As part of the resolution of the general rate case, NJAWC customers will receive refunds for the amount of provisional rates implemented as of June 15, 2018 and collected that exceeds the final rate increase.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the timing and ability to resolve the remaining issues in NJAWC's general rate case that have been remanded to the Office of Administrative Law, and the impacts of any such resolution on NJAWC. These forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company's Form 10-K for the year ended December 31, 2017, and in other filings with the SEC, and the additional risks, uncertainties, assumptions and limitations described herein.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company's annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's or its subsidiaries' businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors stated throughout this Current Report on Form 8-K should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been filed herewith:

Exhibit No.	Description of Exhibit
99.1	Press Release, dated October 29, 2018, issued by NJAWC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: October 29, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1 - NJAWC PRESS RELEASE)

Exhibit 99.1

October 29, 2018

MEDIA CONTACT:
Denise Venuti Free
Director of Communications and External Affairs
856-782-2316
denise.free@amwater.com

New Jersey American Water Granted New Rates by New Jersey Board of Public Utilities

Increase driven by investments in infrastructure; Water service remains about a penny per gallon

VOORHEES, N.J. (October 29, 2018) - The New Jersey Board of Public Utilities (BPU) today approved a settlement between New Jersey American Water and the N.J. Division of Rate Counsel and BPU Staff for new water and wastewater rates for New Jersey American Water. The new rates represent a $40 million annual increase in water and wastewater revenues for New Jersey American Water.

The company’s rate request, which was filed September 15, 2017, was driven by more than $868 million in needed investment in treatment and distribution system upgrades statewide since the company’s last rate increase in 2015. Due to the Tax Cuts and Jobs Act and today's order, most customers can expect to see a one-time credit on their bills beginning in November.

The cost of water service for the company’s customers remains about a penny per gallon. The approximate bill for an average water customer using 6,000 gallons of water per month will be $53.45 and the approximate bill for an average wastewater customer will be $58.70.

“We are extremely proud of our significant level of system investment, combined with operational efficiency measures and innovative technologies, to ensure continued water quality, service reliability and fire protection for the more than 2.7 million people who depend on us every day. This rate order enables us to continue this important work on behalf of our customers, while balancing the cost impact for them,” said Deb Degillio, President, New Jersey American Water.

New Jersey American Water continues to invest in needed system improvements to ensure clean, safe, reliable water and wastewater services to its customers. At the same time, the company continues to focus on cost control and increased efficiency to balance the rate impact of these investments.

In addition, the BPU approved the company's petition to increase customers' income threshold to qualify for payment assistance through New Jersey American Water's H2O Help to Others Program. For more information, visit the Customer Service and Billing page on the company's website, or call the company's program partner, New Jersey Shares, toll-free at 1-877-NJAWH2O (1-877-652-9426).

More information about the company's rates can be found online at www.newjerseyamwater.com (under the Customer Service & Billing menu, select Your Water and Wastewater Rates) or call 1-800-272-1325, Monday through Friday, 7 a.m. to 7 p.m.

New Jersey American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to approximately 2.7 million people. For more information, visit www.newjerseyamwater.com and follow New Jersey American Water on Twitter and Facebook. With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 7,100 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 45 states and Ontario, Canada. American Water provides safe, clean, affordable and reliable water services to our customers to make sure we keep their lives flowing. For more information, visit amwater.com.

# # #

Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 31, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On October 31, 2018, the Company issued a press release announcing its financial results for the third quarter ended September 30, 2018. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit	Description
99.1	Press Release, dated October 31, 2018, issued by American Water Works Company, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: October 31, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1 - EARNINGS PRESS RELEASE DATED OCTOBER 31, 2018)

Exhibit 99.1

October 31, 2018

Edward Vallejo
Vice President, Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and Federal Affairs
856-309-4546
maureen.duffy@amwater.com

AMERICAN WATER REPORTS THIRD QUARTER 2018 RESULTS

- **Third quarter 2018 diluted earnings per share (GAAP) were $1.04, which included a $0.06 per diluted share benefit from the sale of the majority of the contracts in the Contract Services Group and a $0.22 per diluted share net impairment charge for Keystone**
- **Third quarter 2018 adjusted diluted earnings per share were $1.20, an increase of 11.1 percent (non-GAAP measure)**
- **The Regulated Businesses continued to deliver solid results and the Homeowner Services Group integration of Pivotal Home Solutions is proceeding well**
- **Company narrows 2018 earnings guidance to the top portion of range**

CAMDEN, N.J., October 31, 2018 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter ended Sept 30, 2018.

“American Water employees delivered strong third quarter 2018 adjusted earnings per share, up 11.1 percent compared to last year. Our third quarter results demonstrate our ability to steadily grow our business through consistent and successful execution of our strategies,” said Susan

Story, president and chief executive officer of American Water.

“We saw strong growth in our Regulated Businesses. This year, we have invested a total of $1.5 billion, with $1.1 billion invested in our Regulated Businesses to ensure safe, reliable and affordable service. We welcomed 16,500 new customers through closed acquisitions and organic growth and we also look forward to welcoming an additional 56,000 customers through pending acquisitions.

"In our Market-Based Businesses, the integration of the Pivotal Home Solutions acquisition is going well, and we have been awarded four new municipal partnerships in our legacy Homeowner Services business. We are also very proud of winning a new military services contract with Fort Leonard Wood in Missouri. This is a great honor for us to provide water and wastewater treatment services for service members, families and civilians at 14 military bases across the country. We also recorded a gain on the sale of the majority of the O&M contracts of our Contract Services Group.

"We have narrowed the scope of our Keystone business, shutting down two of the business lines and focusing solely on water transfer services going forward. This, in addition to addressing some 2018 operational challenges, has resulted in a third quarter impairment charge.

“The successful execution of our strategies along with our strong financial performance allows us to narrow our GAAP earnings guidance range to $3.19 to $3.24 per share, which is an adjusted (non-GAAP) earnings guidance range of $3.27 to $3.32 per share,” added Story.

Consolidated Results

The Company's three and nine months ended results are included in the table below:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Diluted earnings per share (GAAP):				
Net income attributable to common stockholders	$ 1.04	$ 1.13	$ 2.53	$ 2.39
Non-GAAP adjustments:				
Gain on sale of portion of Contract Services Group contracts	(0.08)	—	(0.08)	—
Income tax impact	0.02	—	0.02	—
Net non-GAAP adjustment	(0.06)	—	(0.06)	—
Impairment charge	0.31	—	0.31	—
Income tax impact	(0.08)	—	(0.08)	—
Net loss attributable to noncontrolling interest	(0.01)	—	(0.01)	—
Net non-GAAP adjustment	0.22	—	0.22	—
Impact of Freedom Industries settlement activities	—	(0.12)	(0.11)	(0.12)
Income tax impact	—	0.05	0.03	0.05
Net non-GAAP adjustment	—	(0.07)	(0.08)	(0.07)
Early debt extinguishment at the parent company	—	0.03	—	0.03
Income tax impact	—	(0.01)	—	(0.01)
Net non-GAAP adjustment	—	0.02	—	0.02
Total net non-GAAP adjustments	0.16	(0.05)	0.08	(0.05)
Adjusted diluted earnings per share (non-GAAP)	$ 1.20	$ 1.08	$ 2.61	$ 2.34

For the third quarter of 2018, GAAP diluted earnings per share were $1.04, compared to $1.13 in the same period of 2017.

With the non-GAAP adjustments identified in the chart above, adjusted diluted earnings per share (a non-GAAP measure) were $1.20 for the third quarter of 2018, an increase of $0.12 per diluted share, or 11.1 percent, as compared to the same period in 2017.

For the first nine months of 2018, GAAP diluted earnings per share were $2.53, compared to $2.39 in the same period of 2017.

With the non-GAAP adjustments identified in the chart above, adjusted diluted earnings per share (a non-GAAP measure) were $2.61, an increase of $0.27 per diluted share, or 11.5 percent, as compared to the same period in 2017. These increases were due to continued growth in the Regulated Businesses, driven by infrastructure investment, acquisitions and organic growth. The increases were also driven by growth in the Market-Based Businesses, mainly from the Homeowner Services Group with Pivotal integration costs lower than projected during the third quarter.

For the first nine months of 2018, the company made capital investments of approximately $1.5 billion, including $1.1 billion dedicated primarily to improving infrastructure in the Regulated Businesses, $365 million for the Pivotal acquisition, and $18 million for regulated acquisitions. American Water plans to invest in the range of $2.0 billion to $2.1 billion, including the acquisition of Pivotal, across its footprint in 2018.

Regulated Businesses

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (GAAP)	$ 213	$ 212	$ 484	$ 446
Non-GAAP adjustment:				
Impact of Freedom Industries settlement activities	—	(22)	(20)	(22)
Income tax impact	—	9	5	9
Net non-GAAP adjustment	—	(13)	(15)	(13)
Adjusted net income (non-GAAP)	$ 213	$ 199	$ 469	$ 433

In the third quarter of 2018, GAAP net income in the Regulated Businesses was $213 million, compared to $212 million for the same period in 2017.

With the non-GAAP adjustments identified in the chart above, adjusted net income in the Regulated Businesses was $213 million, compared to $199 million for the same period in 2017. Regulated revenue increased approximately $15 million driven by a $55 million increase from additional authorized revenue and surcharges to support infrastructure investments, acquisitions, and organic growth that was partially offset by the $40 million impact of the lower federal corporate income tax rate under the Tax Cut and Jobs Act (the "TCJA") expected to benefit customers. The company had higher O&M expense of $34 million that includes higher production expense of $5 million from higher chemical costs and purchased water price and usage increases in California, $5 million to support regulated acquisitions and other growth, $5 million related to the timing of expenses, $4 million related to the New York American Water settlement to provide prompt rate relief and other benefits to customers, $6 million of higher insurance claims expense and $4 million for accelerated recovery of regulatory assets through tax reform savings in West Virginia. Depreciation, interest, and general taxes increased $20 million, mainly from infrastructure investment growth. Income taxes were lower by $59 million from the lower federal corporate income tax rate under the TCJA.

For the first nine months of 2018, GAAP net income in the Regulated Businesses was $484 million, compared to $446 million for the same period in 2017.

With the non-GAAP adjustments identified in the chart above, adjusted net income in the Regulated Businesses was $469 million, compared to $433 million for the same period in 2017. Regulated revenue increased $20 million driven by a $130 million increase from additional authorized revenue and surcharges to support infrastructure investments, acquisitions, and organic growth; largely offset by $110 million resulting from the lower federal corporate income tax rate under the TCJA that is expected to benefit customers. The company had higher O&M expense of $66 million that includes higher production expense of $14 million due to purchased water price and usage increases in our California subsidiary and higher chemical costs, $16 million to support regulated acquisition and other growth, $6 million in customer billing and accounting, $4 million related to the New York American Water settlement to provide prompt rate relief and other benefits to customers, $9 million of higher insurance claims expense and $4 million for accelerated recovery of regulatory assets through tax reform savings in West Virginia, as well as $7 million from higher main breaks from the harsh frigid weather conditions across several regulated states during the first quarter of 2018. Depreciation, interest, and general taxes increased $41 million from infrastructure investment growth. Income taxes were lower by $112 million from the lower federal corporate income tax rate under the TCJA.

Through Sept 30, 2018, the company received additional annualized revenues of approximately $140 million from general rate cases and approximately $15 million from infrastructure surcharges. The company is awaiting final orders for general rate cases in three states, filed for an infrastructure surcharge in one, and awaiting final regulatory approval in one state, for a total annualized revenue request of approximately $69 million, adjusted for certain impacts of the TCJA. The extent to which requested rate increases will be granted by the applicable regulatory agencies will vary.

For the 12-month period ended September 30, 2018, the company's adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) improved to 35.7 percent, compared to 35.9 percent for the 12-month period ended September 30, 2017. For period-to-period comparability purposes, both of these ratios present the estimated impact of the TCJA on operating revenues for the Regulated Businesses on a pro forma basis, as if the lower federal corporate income tax rate had been in effect for these periods. By reducing O&M expense as a proportion of revenue, American Water is able to make investments in needed capital improvements without significantly impacting customer bills.

Market-Based Businesses

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net (loss) income (GAAP)	$ (7)	$ 14	$ 18	$ 29
Non-GAAP adjustment:				
Impairment charge	57	—	57	—
Income tax impact	(15)	—	(15)	—
Net loss attributable to noncontrolling interest	(2)	—	(2)	—
Net non-GAAP adjustment	40	—	40	—
Gain on sale of portion of Contract Services Group contracts	(14)	—	(14)	—
Income tax impact	4	—	4	—
Net non-GAAP adjustment	(10)	—	(10)	—
Adjusted net income (non-GAAP)	$ 23	$ 14	$ 48	$ 29

In the third quarter of 2018, GAAP net loss in the Market-Based Businesses was $7 million, compared to $14 million of net income for the same period in 2017, which includes a net $40 million after-tax impairment charge, for its Keystone Clearwater Solutions business resulting from operational challenges in the Company's construction business and narrowing the scope of the business to the water transfer services business going forward. Also, the Market-Based Businesses recognized a $10 million after-tax gain on the sale of 20 of the Contract Services Group's contracts sold during the quarter. The sale agreement includes the transfer of 22 contracts in total, with the sale of the remaining two contracts expected to close by the end of 2018.

With the non-GAAP adjustments identified in the chart above, adjusted net income in the Market-Based Businesses, with the adjustments shown in the table above, was $23 million, compared to $14 million for the same period in 2017. The increase was primarily driven by the Homeowner Services Group with Pivotal integration expenses lower than expected during the quarter.

For the first nine months of 2018, GAAP net income in the Market-Based Businesses was $18 million, compared to $29 million for the same period in 2017.

With the non-GAAP adjustments identified in the chart above, adjusted net income in the Market-Based Businesses, with the adjustments shown in the table above, was $48 million, compared to $29 million for the same period in 2017. The increase was primarily driven by the Homeowner Services Group with Pivotal integration expenses lower than expected during the quarter; customer growth and cost management and the impact of the lower federal corporate income tax rate under the TCJA.

Dividends

On October 30, 2018, American Water's board of directors declared a quarterly cash dividend payment of $0.455 per share of common stock, payable on December 4, 2018, to all stockholders of record as of November 12, 2018.

2018 Earnings Guidance

American Water has narrowed its 2018 earnings guidance GAAP range of $3.19 - $3.24 per diluted share, which includes the non-GAAP adjustments discussed above. Excluding these items, the company's 2018 adjusted (non-GAAP) earnings guidance range is $3.27 - $3.32 per diluted share. The company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual and quarterly reports filed with the Securities and Exchange Commission ("SEC").

Non-GAAP Financial Measures

This press release includes presentations of adjusted net income, as well as adjusted earnings per diluted share both as historical financial information and as earnings guidance ("Adjusted EPS"). These items constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. Each of adjusted net income and Adjusted EPS is defined as GAAP net income and earnings per diluted common share, respectively, excluding the impact of one or more of the following events: (1) the gain recognized in the third quarter of 2018 on the sale of a majority of the O&M contracts in the company's Contract Services Group; (2) a goodwill and intangible asset impairment charge related to the overall performance of Keystone and the strategic narrowing of the scope of Keystone's business in the third quarter of 2018; (3) the September 2017 and June 2018 insurance settlements related to the Freedom Industries, Inc. chemical spill; and (4) the early debt extinguishment charges incurred in September 2017 with respect to the prepayment of debt allocated to the parent company, each as quantified in the tables above. These non-GAAP financial measures supplement the company's GAAP disclosures and should not be considered as an alternative to the GAAP measure.

Management believes that these non-GAAP financial measures are useful to American Water's investors because they provide an indication of American Water's baseline performance excluding items that are not considered by management to be reflective of its ongoing operating results. Management believes that these non-GAAP financial measures will allow investors to understand better the operating performance of American Water's businesses and will facilitate a meaningful year-to-year comparison of American Water's results of operations. Although management uses these non-GAAP financial measures internally to evaluate American Water's results of operations, management does not intend results excluding the adjustments to represent results as defined by GAAP, and investors should not consider them as indicators of performance. These non-GAAP financial measures are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP, and thus they should be considered in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP. In addition, the Company's definition of adjusted net income and Adjusted EPS may not be comparable to the same or similar measures used by other companies, and, accordingly, they may have significant limitations on their use.

Set forth in this release is a table that reconciles each of adjusted net income and Adjusted EPS to the most directly comparable GAAP financial measure.

This press release also includes a presentation of adjusted Regulated O&M efficiency ratio, which, in addition to the pro forma adjustment for the impact of the TCJA, excludes from its calculation estimated purchased water revenues and purchased water expenses, the impact of certain Freedom Industries chemical spill settlement activities recognized in 2017 and 2018, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. This item constitutes a "non-GAAP financial measure" under SEC rules. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the company's GAAP disclosures and should not be considered as an alternative to any GAAP measure.

Management believes that the presentation of this measure is useful to investors because it provides a means of evaluating the operating performance of the Regulated Businesses without giving effect to items that are not reflective of management's ability to increase efficiency of the company's regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical performance, management relies, in part, on trends in the company's historical results, exclusive of estimated revenues and expenses related to purchased water, the Freedom Industries chemical spill settlement activities and the allocable portion of non-O&M support services costs. The company's definition of this metric may not be comparable to the same or similar measures used by other companies, and, accordingly, this non-GAAP financial measure may have significant limitations on its use.

Set forth in this release is a table that reconciles each of the components used to calculate adjusted O&M efficiency ratio to the most directly comparable GAAP financial measure.

Third Quarter 2018 Earnings Conference Call

The third quarter 2018 earnings conference call will take place on Thursday, November 1, 2018, at 9 a.m. Eastern Daylight Time. Interested parties may listen to an audio webcast on the Investor Relations homepage at ir.amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online. The company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, an audio archive of the call will be available through November 8, 2018. U.S. callers may access the audio archive toll-free by dialing 1-877-344-7529. International callers may listen by dialing 1-412-317-0088. The access code for replay is 10125306. The audio webcast will be available on American Water's investor relations homepage at ir.amwater.com through December 1, 2018. After that, the archived webcast will be available for one year at ir.amwater.com/event-replays.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 7,100 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 14 million people in 45 states and Ontario, Canada. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2018 earnings guidance, the outcome of pending acquisition activity and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, and other decisions; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; potential costs and liabilities of American Water for environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, water management solutions focused on customers in the shale natural gas exploration and production market; the outcome of litigation and similar government actions; weather conditions, and events, climate change patterns, and natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its operational and information technology ("IT") systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers; exposure or infiltration of its critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber-attacks or other disruptions; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire, close and successfully integrate regulated operations and Market-based businesses, enter into contracts and other agreements with, or otherwise obtain, new customers in the Market-based businesses, and realize anticipated benefits and synergies from new acquisitions; cost overruns relating to improvements in or the expansion of its operations; its ability to maintain safe work sites; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or funding requirements or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income, general and other tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence

of impairment charges related to American Water's goodwill or other assets; civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new accounting standards or changes to existing standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations (Unaudited)

(In millions, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating revenues	$ 976	$ 936	$ 2,590	$ 2,536
Operating expenses:				
Operation and maintenance	390	322	1,085	1,003
Depreciation and amortization	141	128	404	378
General taxes	71	61	210	192
Gain on asset dispositions and purchases	(18)	(7)	(20)	(9)
Impairment charge	57	—	57	—
Total operating expenses, net	641	504	1,736	1,564
Operating income	335	432	854	972
Other income (expense):				
Interest, net	(89)	(89)	(259)	(259)
Non-operating benefit costs, net	5	(2)	10	(7)
Loss on early extinguishment of debt	(2)	(6)	(2)	(6)
Other, net	6	5	14	11
Total other income (expense)	(80)	(92)	(237)	(261)
Income before income taxes	255	340	617	711
Provision for income taxes	70	137	164	284
Consolidated net income	185	203	453	427
Net loss attributable to noncontrolling interest	(2)	—	(2)	—
Net income attributable to common stockholders	$ 187	$ 203	$ 455	$ 427
Basic earnings per share: (a)				
Net income attributable to common stockholders	$ 1.04	$ 1.14	$ 2.54	$ 2.39
Diluted earnings per share: (a)				
Net income attributable to common stockholders	$ 1.04	$ 1.13	$ 2.53	$ 2.39
Weighted-average common shares outstanding:				
Basic	181	178	179	178
Diluted	181	179	180	179
Dividends declared per common share	$ 0.455	$ 0.415	$ 0.91	$ 0.83

(a) Amounts may not calculate due to rounding.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

	September 30, 2018	December 31, 2017
ASSETS		
Property, plant and equipment	$ 22,734	$ 21,716
Accumulated depreciation	(5,671)	(5,470)
Property, plant and equipment, net	17,063	16,246
Current assets:		
Cash and cash equivalents	86	55
Restricted funds	29	27
Accounts receivable, net	347	272
Unbilled revenues	203	212
Materials and supplies	42	41
Other	93	113
Total current assets	800	720
Regulatory and other long-term assets:		
Regulatory assets	1,086	1,061
Goodwill	1,571	1,379
Postretirement benefit asset	193	—
Intangible assets	91	9
Other	76	67
Total regulatory and other long-term assets	3,017	2,516
Total assets	$ 20,880	$ 19,482

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

	September 30, 2018	December 31, 2017
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 185,279,397 and 182,508,564 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,647	6,432
Accumulated deficit	(432)	(723)
Accumulated other comprehensive loss	(60)	(79)
Treasury stock, at cost (4,683,156 and 4,064,010 shares, respectively)	(297)	(247)
Total common stockholders' equity	5,860	5,385
Long-term debt	7,570	6,490
Redeemable preferred stock at redemption value	7	8
Total long-term debt	7,577	6,498
Total capitalization	13,437	11,883
Current liabilities:		
Short-term debt	564	905
Current portion of long-term debt	263	322
Accounts payable	141	195
Accrued liabilities	455	630
Taxes accrued	67	33
Interest accrued	89	73
Other	169	167
Total current liabilities	1,748	2,325
Regulatory and other long-term liabilities:		
Advances for construction	259	271
Deferred income taxes, net	1,670	1,551
Deferred investment tax credits	21	22
Regulatory liabilities	1,962	1,664
Accrued pension expense	393	384
Accrued postretirement benefit expense	—	40
Other	78	66
Total regulatory and other long-term liabilities	4,383	3,998
Contributions in aid of construction	1,312	1,276
Commitments and contingencies		
Total capitalization and liabilities	$ 20,880	$ 19,482

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)
In millions

	For the Twelve Months Ended September 30,	
(In millions)	**2018**	**2017**
Total operation and maintenance expenses (a)	$ 1,451	$ 1,377
Less:		
Operation and maintenance expenses—Market-Based Businesses	346	334
Operation and maintenance expenses—Other (a)	(40)	(40)
Total operation and maintenance expenses—Regulated Businesses (a)	1,145	1,083
Less:		
Regulated purchased water expenses	134	124
Allocation of non-operation and maintenance expenses	30	29
Impact of Freedom Industries settlement activities (b)	(20)	(22)
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,001	$ 952
Total operating revenues	$ 3,410	$ 3,338
Less:		
Pro forma adjustment for impact of the TCJA (c)	40	165
Total pro forma operating revenues	3,370	3,173
Less:		
Operating revenues—Market-Based Businesses	455	419
Operating revenues—Other	(22)	(23)
Total pro forma operating revenues—Regulated Businesses	2,937	2,777
Less:		
Regulated purchased water revenues (d)	134	124
Adjusted pro forma operating revenues—Regulated Businesses (ii)	$ 2,803	$ 2,653
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	35.7%	35.9%

NOTE The adjusted O&M efficiency ratio previously reported for the twelve months ended September 30, 2017 was 34.2%, which did not include the adjustments for the items discussed in footnotes (a) and (c) below.

(a) Includes the impact of the company's adoption of ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit*, on January 1, 2018.

(b) Includes settlements with two of the company's general liability insurance carriers in connection with the Freedom Industries chemical spill.

(c) Includes the estimated impact of the TCJA on operating revenues for the Regulated Businesses for all periods presented prior to January 1, 2018, as if the lower federal corporate income tax rate was in effect for these periods.

(d) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Earnings Guidance Range (A Non-GAAP, unaudited measure)

	2018	
	Low End	**High End**
Earnings Guidance Range (GAAP)	$ 3.19	$ 3.24
Non-GAAP Adjustments:		
Gain on sale of portion of Contract Services Group contracts	(0.08)	(0.08)
Income tax impact	0.02	0.02
Net non-GAAP adjustment	(0.06)	(0.06)
Impairment charge	0.31	0.31
Income tax impact	(0.08)	(0.08)
Net loss attributable to noncontrolling interest	(0.01)	(0.01)
Net non-GAAP adjustment	0.22	0.22
Impact of Freedom Industries settlement activities	(0.11)	(0.11)
Income tax impact	0.03	0.03
Net non-GAAP adjustment	(0.08)	(0.08)
Total net non-GAAP adjustments	0.08	0.08
Adjusted Earnings Guidance Range (non-GAAP)	$ 3.27	$ 3.32

Section 1: 8-K (FORM 8-K - DIRECTOR MATTERS)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 14, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(d) At a meeting held on February 14, 2018, the Board of Directors of the Company (the "Board") appointed each of Jeffrey N. Edwards and Admiral James Stavridis to serve as independent directors of the Company, with a term beginning on March 1, 2018 and ending on the date of the Company's 2018 Annual Meeting of Stockholders (the "Annual Meeting"), or until his earlier death, resignation or removal.

In accordance with the Board of Directors' compensation arrangements currently in effect, each of Mr. Edwards and Admiral Stavridis will receive for the remainder of the current quarter the prorated amount of the annual $100,000 director annual cash retainer, as well as reimbursement for expenses incurred in attending Board and committee meetings and reimbursement for attending one continuing education program per year. Each director will also be paid, for his service from March 1, 2018 until the Annual Meeting, in stock units to be granted under the Company's 2017 Omnibus Equity Compensation Plan, each of which represents a vested contractual right to receive one share of the Company's common stock within 30 days following the date specified in the stock unit grant agreement. The stock units represent the prorated portion of the $105,000 in annual equity compensation for the director's period of service through the date of the Annual Meeting.

Mr. Edwards and Admiral Stavridis do not have any direct or indirect material interest in any transaction in which the Company is or is to be a participant and which would require reporting under Item 404(a) of Regulation S-K. Other than as described above, there are no arrangements or understandings between each of Mr. Edwards and Admiral Stavridis and any other persons, pursuant to which he was selected as a director.

The Board also approved changes to the Board's standing committees, effective April 19, 2018. First, the Board approved the combination of the Audit Committee and the Finance and Risk Committee into the Audit, Finance and Risk Committee. The Board appointed Mr. Edwards, Martha Clark Goss, Karl F. Kurz and Admiral Stavridis, with Ms. Goss serving as Chair, as members of the Audit, Finance and Risk Committee. Second, the Board approved the creation of the Safety, Environmental, Technology and Operations ("SETO") Committee as a new standing committee of the Board. The Board appointed Mr. Edwards, Veronica M. Hagen and Admiral Stavridis, with Ms. Hagen serving as Chair, as members of the SETO Committee.

On February 14, 2018, American Water Works Company, Inc. issued a press release announcing the appointment of Mr. Edwards and Admiral Stavridis, effective March 1, 2018, as independent directors of the Company. A copy of the press release has been included as Exhibit 99.1 hereto and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been filed herewith:

Exhibit Number	Description
99.1	Press Release, dated February 14, 2018, issued by the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: February 14, 2018

By: /s/ MICHAEL A. SGRO
Michael A. Sgro
Executive Vice President, General Counsel and Secretary

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Section 2: EX-99.1 (EXHIBIT 99.1 - AMERICAN WATER PRESS RELEASE)

Exhibit 99.1

February 14, 2018

Ed Vallejo
Vice President, Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and Federal Affairs
856-309-4546
maureen.duffy@amwater.com

American Water Appoints Two New Independent Members to the Board of Directors

VOORHEES, N.J., February 14, 2018 - American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, today announced that Jeffrey N. Edwards and Admiral James Stavridis, U.S. Navy (Ret.), have been appointed as independent members of the company's board of directors effective March 1, 2018.

"American Water is pleased to have Jeff and Jim join our board of directors," said George MacKenzie, chairman of the board of American Water. "Jeff’s broad financial and capital markets expertise, and Jim’s background in cybersecurity, infrastructure and innovation, each will further strengthen our board."

"We are honored to have both of these experienced and talented individuals become part of American Water's governance," said

Susan Story, president and CEO of American Water. "Jeff provides our board with expertise in capital markets and corporate finance matters. Jim will assist our board with navigating cybersecurity and infrastructure issues as they relate to our customer service, strategic planning and business growth, as well as providing valuable strategic perspective for our Military Services organization. Both will add significant value to our company."

Edwards is partner and chief operating officer at investment advisor New Vernon Capital. Prior to New Vernon Capital, Edwards capped a 22-year career at Merrill Lynch & Co. as vice chairman, and, prior to that, chief financial officer. His previous positions at Merrill Lynch include Head of Origination,

Americas, Head of Global Capital Markets and Co-Head of Global Equities. He began his career at Chase Manhattan Bank as a credit auditor.

Edwards currently serves on the board of directors of Raymond James Financial, Inc. and Medusind, Inc., and is Chairman of the Board of Trustees for the Pingry School. He previously served on the policy and finance committees of the board of directors of NASDAQ.

Edwards received his bachelor's degree, with honors, in Physics from Haverford College and his MBA from Harvard Business School.

Stavridis, a distinguished graduate of the U.S. Naval Academy, has more than 30 years of service in the U.S. Navy, including serving as commander of U.S. Southern Command, Commander of European Command and as Supreme Allied Commander, NATO, and rose to the rank of 4-star admiral. He is currently Dean of the Fletcher School of Law and Diplomacy at Tufts University, and Chairman of the U.S. Naval Institute Board of Directors. He also serves on the board of directors of the Neuberger Berman Mutual Funds and NFP Corp., a privately held insurance brokerage firm.

Stavridis earned a Master of Arts in Law and Diplomacy and a Ph.D. in international relations from The Fletcher School of Law and Diplomacy at Tufts University. He is also a distinguished graduate of both the National and Naval War Colleges. He holds various decorations and awards, including two awards of the Defense Distinguished Service Medal, the Defense Superior Service Medal, and five awards of the Legion of Merit.

American Water's Board of Directors now consists of eight members, seven of whom are independent.

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,800 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting www.amwater.com.

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Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 20, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On February 20, 2018, the Company issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2017. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit	Description
99.1	Press Release, dated February 20, 2018, issued by American Water Works Company, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: February 20, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1 - EARNINGS PRESS RELEASE DATED FEBRUARY 20, 2018)

Exhibit 99.1

February 20, 2018

Edward Vallejo
Vice President, Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and Federal Affairs
856-309-4546
maureen.duffy@amwater.com

AMERICAN WATER REPORTS FOURTH QUARTER AND YEAR-END RESULTS

- **2017 diluted GAAP earnings per share at $2.38; adjusted diluted earnings per share (EPS) at $3.03 (a non-GAAP measure)**
- **Fourth quarter 2017 diluted GAAP EPS at $(0.01), including the one-time re-measurement required under the Tax Cuts and Jobs Act; adjusted diluted EPS at $0.69 (a non-GAAP measure)**
- **Affirms 2018 earnings guidance range of $3.22 to $3.32 per diluted share, and long term EPS compound annual growth rate (CAGR) range of 7 to 10 percent, anchored off of 2016 adjusted EPS**
- **Projects 2018 dividend growth at top of long-term EPS CAGR range**

VOORHEES, N.J., Feb 20, 2018 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the fourth quarter and year ended Dec 31, 2017.

"This past year was one of continued solid growth for American Water and outstanding execution by our employees," said Susan Story, president and CEO of American Water. "With a strong fourth quarter finish, our 2017 adjusted EPS increased 7 percent over 2016. To meet the nationally recognized need for significantly more water infrastructure investment, we invested more capital in our water and wastewater systems -$1.4 billion-

than in any other previous year. As importantly, we achieved our best ever O&M efficiency ratio in order to make this investment more affordable for our customers.

"We will continue to focus on delivering our customers the most reliable and safe water services at an affordable price in 2018 and beyond, and the recent Tax Cuts and Jobs Act will aid us even more in doing so.

“We plan to invest between $8.0 billion to $8.6 billion over the next five years," added Story. "We are also affirming our 2018 EPS guidance of $3.22 to $3.32, and remain confident in our ability to achieve our long-term EPS growth of 7 to 10 percent."

Consolidated Results

The company's three months and annual results are included in the table below:

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2017	2016	2017	2016
Diluted earnings per share (GAAP):				
Net income attributable to common stockholders	$ (0.01)	$ 0.57	$ 2.38	$ 2.62
Non-GAAP adjustments:				
Impact of Freedom Industries settlement activities	—	—	(0.12)	0.36
Income tax impact	—	—	0.05	(0.14)
Net non-GAAP adjustment	—	—	(0.07)	0.22
Early extinguishment of debt at the parent company	—	—	0.03	—
Income tax impact	—	—	(0.01)	—
Net non-GAAP adjustment	—	—	0.02	—
Impact of re-measurement from the Tax Cuts and Jobs Act	0.70	—	0.70	—
Total non-GAAP adjustments	0.70	—	0.65	0.22
Adjusted diluted earnings per share (non-GAAP)	$ 0.69	$ 0.57	$ 3.03	$ 2.84

In the fourth quarter of 2017, GAAP income decreased $0.58 per diluted share compared to the prior year. This included a $0.70 per diluted share charge resulting from the non-cash, after-tax re-measurement charge associated with the impact of the change in the federal tax rate from implementation of the Tax Cuts and Jobs Act (the “TCJA”) enacted on December 22, 2017.

Adjusted earnings were $0.69 per diluted share (a non-GAAP measure) for the fourth quarter 2017, an increase of 12 cents per diluted share, or 21 percent, over the same period in 2016. This increase was primarily associated with continued growth in the Regulated Businesses driven mainly by infrastructure investment, acquisitions and organic growth. The Market-Based Businesses were up a penny with growth in the Homeowner Services Group partially offset by lower capital upgrades in the Military Services Group.

For the full year 2017, GAAP income decreased $0.24 per diluted share compared to the prior year. 2017 GAAP earnings included a $0.07 per diluted share benefit from an insurance settlement related to the Freedom Industries chemical spill, a $0.02 per diluted share charge from early extinguishment of debt at the parent company and a $0.70 per diluted share charge, resulting from the non-cash, after-tax re-measurement charge associated with the enactment of the TCJA. Included in 2016 GAAP earnings was a $0.22 per diluted share charge from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill.

Adjusted earnings were $3.03 per diluted share for the full year of 2017, an increase of $0.19 per diluted share, or 7 percent, over the same period in 2016. This increase was primarily associated with continued growth in the Regulated Businesses driven mainly by infrastructure investment, acquisitions and organic growth, combined with growth in the Market-Based Businesses mainly from the Homeowner Services Group and Keystone. These increases were partially offset by warmer weather in 2016 compared to 2017 and two discrete tax adjustments recorded at the parent company associated with legislative changes in New York and Illinois impacting state tax apportionment.

For the full year 2017, the company made capital investments of $1.7 billion, a record level of investment, including $1.4 billion dedicated primarily to improving infrastructure in the Regulated Businesses to provide safe, clean and reliable service to its customers, and over $210 million for regulated acquisitions.

Regulated Businesses Adjusted Net Income Reconciliation (A Non-GAAP, unaudited measure)

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2017	2016	2017	2016
Net income (GAAP)	$ 113	$ 98	$ 559	$ 472
Non-GAAP adjustment:				
Impact of Freedom Industries settlement activities	—	—	(22)	65
Income tax impact	—	—	9	(26)
Net non-GAAP adjustment	—	—	(13)	39
Impact of the Tax Cuts and Jobs Act	6	—	6	—
Total net non-GAAP adjustments	6	—	(7)	39
Adjusted net income	$ 119	$ 98	$ 552	$ 511

For the fourth quarter of 2017, adjusted net income was $119 million, compared to $98 million for the same period in 2016, an increase of approximately 21 percent. Regulated revenue increased $16 million driven by a $27 million increase from additional authorized revenue and surcharges to support infrastructure investments, acquisitions, and organic growth; partially offset by a $11 million decrease in lower demand of which $3 million is related to warmer weather during the fourth quarter of 2016. In the fourth quarter net depreciation was favorable $7 million, mainly due to the implementation of new depreciation rates in our Illinois subsidiary. O&M expense was favorable $5 million mainly due to the timing of expenditures last year and the continued focus on cost management.

For the full year 2017, adjusted net income was $552 million, compared to $511 million for the same period in 2016, an increase of 8 percent. Regulated revenue increased $87 million driven by a $133 million increase from additional authorized revenue and surcharges to support infrastructure investments, wastewater services, acquisitions, and organic growth; partially offset by a $48 million decrease in lower demand of which $15 million is related to warmer weather during 2016. This increase was partially offset by higher net depreciation and interest of $34 million associated with infrastructure investment growth partially offset by the implementation of new depreciation rates in our Illinois subsidiary. O&M expense remained relatively flat due to the continued focus on cost management.

For the full year 2017, the Company received additional annualized revenues of approximately $43 million from general rate cases and step increases and approximately $33 million in additional annualized revenues from infrastructure surcharges. The company is awaiting final orders for general rate cases in three states and filed for infrastructure surcharges in three states for a total annualized revenue request of approximately $255 million. The extent to which requested rate increases will be granted by the applicable regulatory agencies will vary.

For the full year 2017, the adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) improved to 33.8 percent, compared to 34.9 percent for the full year 2016. By reducing O&M expense as a proportion of revenue, American Water is able to make investments in needed capital improvements without significantly impacting customer bills.

Market-Based Businesses Adjusted Net Income Reconciliation (A Non-GAAP, unaudited measure)

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2017	2016	2017	2016
Net income (GAAP)	$ 9	$ 13	$ 38	$ 39
Non-GAAP adjustment:				
Impact of the Tax Cuts and Jobs Act	5	—	5	—
Adjusted net income	$ 14	$ 13	$ 43	$ 39

For the fourth quarter of 2017, adjusted net income was $14 million, compared to $13 million for the same period in 2016. Adjusted net income was up $1 million, driven by growth in the Homeowner Services Group through customer growth and price increases for certain customers, offset by lower capital projects in the Military Services Group.

For the full year 2017, adjusted net income was $43 million, compared to $39 million for the same period in 2016, an increase of 10 percent. The increase was driven by growth in the Homeowner Services Group through customer growth and price increases for certain customers and growth at Keystone Clearwater Solutions from improving market conditions, partially offset by lower capital projects in the Military Services Group from lower military budgets and completion of a project at Fort Polk mid-year 2016.

Dividends

On Dec 8, 2017, our Board of Directors declared a quarterly cash dividend payment of $0.415 per share payable on Mar 1, 2018, to stockholders of record as of Feb 7, 2018.

2018 Earnings Guidance

American Water has affirmed its 2018 earnings guidance to be in the range of $3.22 - $3.32 per diluted share. The company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual and quarterly reports filed with the Securities and Exchange Commission ("SEC").

Non-GAAP Financial Measures

This press release includes presentations of adjusted net income for the Regulated Businesses and the Market-Based Businesses, as well as consolidated adjusted earnings per diluted share ("Adjusted EPS"). These items constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. Adjusted EPS is defined as GAAP earnings per diluted common share, excluding (i) the impact in the third quarter of 2017 of the insurance settlement related to the Freedom Industries chemical spill; (ii) a charge incurred in the third quarter of 2017 with respect to the early extinguishment of debt at the parent company; (iii) the non-cash, after-tax re-measurement charge in the fourth quarter of 2017 associated with the impact of the change in the federal tax rate on American Water's deferred income taxes from the enactment of the TCJA; and (iv) the impact in the fourth quarter of 2016 of the binding global agreement in principle to settle claims related to the Freedom Industries chemical spill. Adjusted net income for the Regulated Businesses and the Market-Based Businesses is defined as GAAP diluted net income, excluding, as applicable (i) the impact in the third quarter of 2017 of the insurance settlement related to the Freedom Industries chemical spill; (ii) the non-cash, after-tax re-measurement charge in the fourth quarter of 2017 associated with the impact of the change in the federal tax rate on American Water's deferred income taxes from the enactment of the TCJA; and (iii) the impact in the fourth quarter of 2016 of the binding global agreement in principle to settle claims related to the Freedom Industries chemical spill. These non-GAAP financial measures supplement the company's GAAP disclosures and should not be considered as alternatives to the GAAP measures.

Management believes that the presentation of these non-GAAP financial measures are useful to American Water's investors because they provide an indication of its baseline performance excluding items that are not considered by management to be reflective of ongoing operating results. Although management uses these non-GAAP financial measures internally to evaluate American Water's results of operations, management does not intend results excluding the adjustments to represent results as defined by GAAP, and the reader should not consider them as indicators of performance. These items are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. The company's definition of adjusted net income or Adjusted EPS may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use.

Set forth in this release is a table that reconciles each of adjusted net income and Adjusted EPS to its most directly comparable GAAP financial measure.

This press release also includes a presentation of adjusted regulated O&M efficiency ratio, which excludes from its calculation estimated purchased water revenues and purchased water expenses, the impact of certain activities related to the Freedom Industries chemical spill, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. This item constitutes a "non-GAAP financial measure" under SEC rules. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the company's GAAP disclosures and should not be considered an alternative to any GAAP measure.

Management believes that the presentation of this measure is useful to investors because it provides a means of evaluating the company's operating performance without giving effect to items that are not reflective of management's ability to increase efficiency of the company's regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical performance, management relies, in part, on trends in the company's historical results, exclusive of estimated revenues and expenses related to purchased water, the impact of settlement activities related to the Freedom Industries chemical spill and the allocable portion of non-O&M support services costs. The company's definition of this metric may not be comparable to the same or similar measures used by other companies, and, accordingly, this non-GAAP financial measure may have significant limitations on its use.

Set forth in this release is a table that reconciles each of the components used to calculate adjusted regulated O&M efficiency ratio to the most directly comparable GAAP financial measure.

2017 Year-end and Fourth Quarter Earnings Conference Call

The 2017 and fourth quarter earnings conference call will take place on Wednesday, Feb 21, 2018, at 9 a.m. Eastern Daylight Time. Interested parties may listen to the conference call over the Internet by logging on to the Investor Relations page of the company's website at ir.amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online. The company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, an audio archive of the call will be available through February 28, 2018. U.S. callers may access the audio archive toll-free by dialing 1-877-344-7529. International callers may listen by dialing 1-412-317-0088. The access code for replay is 10116315. The audio webcast will be available on American Water's investor relations homepage at ir.amwater.com through March 21, 2018. After that, the archived webcast will be available for one year at ir.amwater.com/event-replays.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,900 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 46 states and Ontario, Canada. More information can be found by visiting amwater.com.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2018 earnings guidance, projected long-term earnings and dividend growth, the outcome of pending acquisition activity and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could” and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates; the timeliness and outcome of regulatory commissions’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions, taxes, permitting and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; limitations on the availability of our water supplies or sources of water, or restrictions on our use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, water quality and emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; the outcome of litigation and similar governmental proceedings, investigations or actions, including matters related to the Freedom Industries chemical spill in West Virginia and the preliminarily approved global class action settlement agreement related to this chemical spill; our ability to appropriately maintain current infrastructure, including our operational and information technology (“IT”) systems, and manage the expansion of our business; exposure or infiltration of our critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber attacks or other means; our ability to obtain permits and other approvals for projects; changes in our capital requirements; our ability to control operating expenses and to achieve efficiencies in our operations; the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers; our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations; our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of our operations; our ability to maintain safe work sites; our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water service and management solutions that are focused on customers in the natural gas exploration and production market; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on us or our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements; changes in federal or state general, income and other tax laws, including any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the TCJA, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. federal and state income tax net operating loss carryforwards; migration of customers into or out of our service territories; the use by municipalities of the power of eminent domain or other authority to condemn our systems, or the assertion by private landowners of similar rights against us; difficulty or inability to obtain insurance, the inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or an inability to obtain reimbursement under existing insurance programs for any losses sustained; the incurrence of impairment charges related to our goodwill or other assets; labor actions, including work stoppages and strikes; the ability to retain and attract qualified employees; civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations

(In millions, except per share data)

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2017	2016	2017	2016
	(Unaudited)			
Operating revenues	$ 821	$ 802	$ 3,357	$ 3,302
Operating expenses:				
Operation and maintenance	368	373	1,378	1,504
Depreciation and amortization	114	120	492	470
General taxes	67	63	259	258
Gain on asset dispositions and purchases	(7)	(2)	(16)	(10)
Total operating expenses, net	542	554	2,113	2,222
Operating income	279	248	1,244	1,080
Other income (expense):				
Interest, net	(83)	(83)	(342)	(325)
Loss on early extinguishment of debt	(1)	—	(7)	—
Other, net	6	1	17	15
Total other income (expense)	(78)	(82)	(332)	(310)
Income before income taxes	201	166	912	770
Provision for income taxes	202	65	486	302
Net income attributable to common stockholders	$ (1)	$ 101	$ 426	$ 468
Basic earnings per share: (a)				
Net income attributable to common stockholders	$ —	$ 0.57	$ 2.39	$ 2.63
Diluted earnings per share: (a)				
Net income attributable to common stockholders	$ (0.01)	$ 0.57	$ 2.38	$ 2.62
Weighted-average common shares outstanding:				
Basic	178	178	178	178
Diluted	179	178	179	179
Dividends declared per common share (b)	$ 0.83	$ 0.75	$ 1.66	$ 1.50

(a) Amounts may not calculate due to rounding.

(b) Dividends declared during the three months ended December 31, 2017 and 2016, include quarterly dividends payable December 1 and March 1.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets

(In millions, except share and per share data)

	December 31, 2017	December 31, 2016
ASSETS		
Property, plant and equipment	$ 21,716	$ 19,954
Accumulated depreciation	(5,470)	(4,962)
Property, plant and equipment, net	16,246	14,992
Current assets:		
Cash and cash equivalents	55	75
Restricted funds	27	20
Accounts receivable, net	272	269
Unbilled revenues	212	263
Materials and supplies	41	39
Other	113	118
Total current assets	720	784
Regulatory and other long-term assets:		
Regulatory assets	1,061	1,289
Goodwill	1,379	1,345
Other	76	72
Total regulatory and other long-term assets	2,516	2,706
TOTAL ASSETS	$ 19,482	$ 18,482

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets

(In millions, except share and per share data)

	December 31, 2017	December 31, 2016
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 182,508,564 and 181,798,555 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,432	6,388
Accumulated deficit	(723)	(873)
Accumulated other comprehensive loss	(79)	(86)
Treasury stock, at cost (4,064,010 and 3,701,867 shares, respectively)	(247)	(213)
Total common stockholders' equity	5,385	5,218
Long-term debt	6,490	5,749
Redeemable preferred stock at redemption value	8	10
Total long-term debt	6,498	5,759
Total capitalization	11,883	10,977
Current liabilities:		
Short-term debt	905	849
Current portion of long-term debt	322	574
Accounts payable	195	154
Accrued liabilities	630	609
Taxes accrued	33	31
Interest accrued	73	63
Other	167	112
Total current liabilities	2,325	2,392
Regulatory and other long-term liabilities:		
Advances for construction	271	300
Deferred income taxes, net	1,551	2,596
Deferred investment tax credits	22	23
Regulatory liabilities	1,664	403
Accrued pension expense	384	419
Accrued postretirement benefit expense	40	87
Other	66	67
Total regulatory and other long-term liabilities	3,998	3,895
Contributions in aid of construction	1,276	1,218
Commitments and contingencies		
TOTAL CAPITALIZATION AND LIABILITIES	$ 19,482	$ 18,482

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)
In millions

(Dollars in millions)	2017	2016	2015
Total operation and maintenance expenses	$ 1,378	$ 1,504	$ 1,404
Less:			
Operation and maintenance expenses—Market-Based Businesses	337	372	358
Operation and maintenance expenses—Other	(50)	(44)	(49)
Total operation and maintenance expenses—Regulated Businesses	1,091	1,176	1,095
Less:			
Regulated purchased water expenses	128	122	117
Allocation of non-operation and maintenance expenses	29	30	35
Impact of Freedom Industries settlement activities (a)	(22)	65	—
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 956	$ 959	$ 943
Total operating revenues	$ 3,357	$ 3,302	$ 3,159
Less:			
Operating revenues—Market-Based Businesses	422	451	434
Operating revenues—Other	(23)	(20)	(18)
Total operating revenues—Regulated Businesses	2,958	2,871	2,743
Less:			
Regulated purchased water revenues (b)	128	122	117
Adjusted operating revenues—Regulated Businesses (ii)	$ 2,830	$ 2,749	$ 2,626
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.8%	34.9%	35.9%

(a) Includes the impact of the binding global agreement in principle to settle claims in 2016 and a settlement with one of our general liability insurance carriers in 2017.

(b) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Section 1: 8-K (8-K- CREDIT AGREEMENT AND COMMERCIAL PAPER PROGRAM)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 21, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

INTRODUCTORY NOTE

This Current Report on Form 8-K is being filed by American Water Works Company, Inc. ("American Water") to report the following:

- the amendment and restatement of American Water Capital Corp.'s existing credit agreement with respect to its revolving credit facility to increase the total maximum commitments thereunder from $1.75 billion to $2.25 billion and to extend the expiration of the existing credit agreement from June 2020 to March 2023; and

- an increase in the size of AWCC's commercial paper program (the "CP Program") from a maximum of $1.6 billion of commercial paper notes outstanding at any one time to a maximum of $2.1 billion.

Item 1.01. Entry into a Material Definitive Agreement.

On March 21, 2018, American Water and American Water Capital Corp. ("AWCC"), a wholly owned finance subsidiary of American Water, amended and restated that certain Amended and Restated Credit Agreement, dated as of June 30, 2015, by and among American Water, AWCC, each of the lenders party thereto (each, a "Lender"), Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd. and PNC Bank, National Association, as co-documentation agents (the "Existing Credit Agreement", and, as so amended and restated, the "Credit Agreement"), with respect to AWCC's unsecured revolving credit facility thereunder. The revolving credit facility is used principally to support the CP Program and to provide a sub-limit of up to $150 million for letters of credit. American Water has executed the Credit Agreement solely to acknowledge and agree that (i) obligations owing by AWCC under the Credit Agreement will constitute "debt" under that certain Support Agreement, dated as of June 22, 2000, as amended on July 26, 2000, by and between American Water and AWCC (the "Support Agreement"), which serves as a functional equivalent of a guarantee by American Water of AWCC's payment obligations under the Credit Agreement, and (ii) the Credit Agreement will contain representations, warranties and covenants that relate to American Water and that a breach of any of those representations or warranties, or a failure by AWCC to comply with such covenants, could result in an event of default under the Credit Agreement.

The Credit Agreement increases the total maximum commitments under the Existing Credit Agreement from $1.75 billion to $2.25 billion and extends the expiration of the Existing Credit Agreement from June 2020 to March 2023. AWCC may from time to time cause the total maximum commitments under the Credit Agreement to be increased, provided that the aggregate amount of all such commitment increases may not exceed $500 million. AWCC may also request from the Lenders an extension of the expiration date of the Credit Agreement for up to two one-year periods. Such increases and extensions must satisfy certain conditions and, in the case of a request to extend the expiration date of the Credit Agreement, receive approval of the Required Lenders, all as set forth in the Credit Agreement. The financial covenants with respect to the Revolving Credit Facility remain unchanged.

In the ordinary course of business, certain of the Lenders and their respective affiliates have from time to time engaged, and likely will in the future engage, in transactions with, and from time to time have performed various financial advisory, commercial banking, investment banking, treasury, trustee and other services for, and likely will in the future perform such services for, AWCC, American Water and their affiliates, for which they received, or will continue to receive, customary fees or compensation. In addition, affiliates of certain of the Lenders act as paying agent or dealer under AWCC's commercial paper program.

The foregoing description of the Credit Agreement does not purport to be complete and is subject to, and is qualified in its entirety by, the full text of the Credit Agreement attached hereto as Exhibit 10.1 and incorporated herein by reference. Capitalized terms used but not defined herein have the meanings ascribed to them in the Credit Agreement.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

(a) American Water and AWCC are parties to that certain Second Amended and Restated Credit Agreement, dated as of March 21, 2018, by and among American Water, AWCC, each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association and U.S. Bank National Association, as co-documentation agents, with respect to the revolving credit facility. As of March 21, 2018, no amounts have been borrowed by AWCC under the Credit Agreement, except with respect to letters of credit previously issued under the Credit Agreement's $150 million letter of credit sub-limit.

The Credit Agreement contains certain representations and warranties made by AWCC and American Water at the time such Loan Agreement was entered into and, under the terms of the Loan Agreement, AWCC must be in compliance with specified covenants, including (i) the requirement that AWCC maintains a ratio of total consolidated debt to consolidated total capitalization of not more than 0.70 to 1.0, computed in accordance with the terms of the Credit Agreement, (ii) a restriction on the incurrence of liens (other than liens permitted by the Credit Agreement) on the assets of American Water, AWCC or any of American Water's

significant subsidiaries, (iii) restrictions on sale-leaseback transactions by AWCC, American Water or any of American Water's significant subsidiaries, (iv) not causing the Support Agreement to be canceled or terminated, or amended in such a way as to adversely affect the rights of the Lenders, and (v) AWCC engaging in any business, operations or activities other than financing activities for and on behalf of American Water and its other subsidiaries. The Credit Agreement does not include any rating triggers.

The occurrence of an event of default under the Credit Agreement could result in the acceleration of the repayment obligations of AWCC thereunder. The events of default in the Credit Agreement include, but are not limited to (i) the failure of AWCC to pay when due principal or interest under the Credit Agreement, (ii) the failure to observe or perform AWCC's covenants contained in the Credit Agreement (including the covenants described in the preceding paragraph), subject in certain circumstances to grace periods and notice requirements provided in the Credit Agreement, (iii) any representation, warranty, certification or statement made by or on behalf of AWCC under the Credit Agreement or under any loan document or other document delivered pursuant to the Credit Agreement or a loan document being incorrect in any material respect when made, (iv) the failure of AWCC, American Water or any significant subsidiary of American Water to pay amounts due under certain other indebtedness, (v) the default of American Water in the performance or observance of any obligation or condition under specified provisions of the Support Agreement, (v) the occurrence of certain bankruptcy events, judgments or decrees against AWCC, American Water or any significant subsidiary of American Water, (vi) the failure of AWCC, American Water or any significant subsidiary of American Water to pay or otherwise discharge certain monetary judgments, (vii) the occurrence of certain events under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or with respect to certain employee pension benefit plans covered by ERISA, (viii) the unenforceability of any material provision of the Support Agreement, or the assertion by any court or governmental or regulatory body having jurisdiction over American Water of the unenforceability of any such provision in writing, or the contesting by American Water of the validity or enforceability of any such provision, (ix) the occurrence of a change of control (as defined in the Credit Agreement) involving American Water, or (x) American Water ceasing to own, directly or indirectly, all of the common stock of AWCC.

The information provided under Item 1.01 of this Form 8-K is incorporated by reference herein in response to this Item 2.03.

Item 8.01. Other Events.

On March 21, 2018, AWCC increased the size of the CP Program to permit the issuance of short-term commercial paper notes by AWCC in an aggregate principal amount not to exceed $2.1 billion outstanding at any time. Prior to this increase, the CP Program permitted AWCC to issue short-term commercial paper notes in an aggregate principal amount not to exceed $1.6 billion outstanding at any time. The notes issued by AWCC under the CP Program are considered "debt" for purposes of the Support Agreement. As of March 20, 2018, AWCC had $1,183 million in commercial paper outstanding.

The commercial paper notes and related obligations of American Water under the Support Agreement have not been and will not be registered under the Securities Act of 1933, as amended, and may not be offered or sold absent registration or an applicable exemption from such registration requirements. The information contained in this Current Report on Form 8-K shall not constitute an offer to sell or the solicitation of an offer to buy commercial paper notes issued by AWCC from time to time under the CP Program or the related support obligations of American Water under the Support Agreement.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been filed herewith:

Exhibit No.	Description of Exhibit
10.1	Second Amended and Restated Credit Agreement, dated as of March 21, 2018, by and among American Water, AWCC, each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: March 21, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-10.1 (EXHIBIT 10.1 - SECOND AMENDED AND RESTATED CREDIT AGREEMENT)

Exhibit 10.1

Execution Version
Published CUSIP Number: 03040YAG6
Revolving Credit CUSIP Number: 03040YAH4

U.S. $2,250,000,000

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

dated as of March 21, 2018

by and among

AMERICAN WATER CAPITAL CORP.
as Borrower

THE LENDERS

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Administrative Agent

and

JPMORGAN CHASE BANK, N.A.
as Syndication Agent

and

MIZUHO BANK, LTD.
PNC BANK, NATIONAL ASSOCIATION
U.S. BANK NATIONAL ASSOCIATION
as Co-Documentation Agents

WELLS FARGO SECURITIES, LLC
JPMORGAN CHASE BANK, N.A.
MIZUHO BANK, LTD.
PNC CAPITAL MARKETS LLC
U.S. BANK NATIONAL ASSOCATION
as Joint Lead Arrangers and Joint Bookrunners

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Exhibit F-4	Form of U.S. Tax Compliance Certificate (Lender; Partnership)

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 21, 2018 (this "***Agreement***"), is by and among **AMERICAN WATER CAPITAL CORP.**, a Delaware corporation (the "***Borrower***"), the Lenders from time to time party hereto (collectively, the "***Lenders***"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as Administrative Agent for the Lenders (in such capacity, together with its successors and assigns, the "***Administrative Agent***").

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to that certain Amended and Restated Credit Agreement dated as of June 30, 2015 (as amended and in effect immediately prior to the date hereof, the "Existing Credit Agreement");

WHEREAS, the Borrower has requested the Lenders and the Administrative Agent amend and restate the Existing Credit Agreement to modify the Existing Credit Agreement in certain respects;

WHEREAS, the Borrower acknowledges and agrees that the Obligations represent, among other things, the amendment, restatement, renewal, extension, consolidation and modification of the Obligations (as defined in the Existing Credit Agreement) arising in connection with the Existing Credit Agreement and other Loan Documents (as defined in the Existing Credit Agreement) executed in connection therewith; and

WHEREAS, the Borrower intends that (a) the provisions of the Existing Credit Agreement and the other Loan Documents (as defined in the Existing Credit Agreement) executed in connection therewith, to the extent restated, renewed, extended, consolidated, amended and modified hereby, be hereby superseded and replaced by the provisions hereof and of the other Loan Documents; and (b) by entering into and performing its Obligations hereunder, this transaction shall not constitute a novation.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree that the Existing Credit Agreement is hereby amended and restated, as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Certain Defined Terms. The terms defined in this Section 1.01 shall, for all purposes of this Agreement, have the meanings set forth herein:

"***Act***" means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended.

"***Administrative Agent***" has the meaning set forth in the preamble.

"***Advance***" means a Base Rate Advance, a Eurodollar Rate Advance or a Swing Line Advance, and "***Advances***" means Base Rate Advances, Eurodollar Rate Advances or Swing Line Advances, or any or all of them, as the context shall require.

"***Affected Lenders***" has the meaning set forth in Section 2.18(b).

"***Affiliate***" means, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person. A Person shall be deemed to control another entity if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract, or otherwise.

"***Agreement***" has the meaning set forth in the preamble.

"***Anti-Corruption Laws***" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption, including, without limitation, the United States Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

"***Anti-Money Laundering Laws***" means any and all laws, statutes, regulations or obligatory government orders, decrees, ordinances or rules applicable to the Borrower or its Subsidiaries related to terrorism financing or money laundering, including any applicable provision of the Act and The Currency and Foreign Transactions Reporting Act (also known as the "Bank Secrecy Act," 31 U.S.C. §§ 5311-5330 and 12U.S.C. §§ 1818(s), 1820(b) and 1951-1959).

"***Applicable Percentage***" means, with respect to the Facility Fee or any Eurodollar Rate Advance, Base Rate Advance or Swing Line Advance, at all times during which any Applicable Rating Level set forth below is in effect, the rate per annum for the Facility Fee or such Advance set forth below next to such Applicable Rating Level.

Applicable Rating Level	Applicable Percentage for Facility Fee	Applicable Percentage for Eurodollar Rate Advances	Applicable Percentage for Base Rate Advances
1	0.060%	0.690%	0.000%
2	0.075%	0.800%	0.000%
3	0.100%	0.900%	0.000%
4	0.125%	1.000%	0.000%
5	0.175%	1.075%	0.075%

The Applicable Percentage shall be determined in accordance with the foregoing table based on the Applicable Rating Level as determined from the Borrower's then-applicable Moody's Rating and S&P Rating. Any change in the Applicable Percentages resulting from a change in the Applicable Rating Level shall become effective upon the date of announcement of any change in the Moody's Rating or the S&P Rating of the Borrower that results in such change in the Applicable Rating Level.

"***Applicable Rating Level***" at any time shall be determined in accordance with the Borrower's then-applicable S&P Rating and the Borrower's then-applicable Moody's Rating as follows:

S&P Rating/Moody's Rating	Applicable Rating Level
S&P Rating AA- or higher or Moody's Rating Aa3 or higher	1
S&P Rating A+ or Moody's Rating A1	2
S&P Rating A or Moody's Rating A2	3
S&P Rating A- or Moody's Rating A3	4
S&P Rating BBB+ or below or Moody's Rating Baa1 or below	5

The Applicable Rating Level for any day shall be determined based upon the higher of the S&P Rating and the Moody's Rating of the Borrower in effect on such day. If the S&P Rating and the Moody's Rating of the Borrower are not the same (*i.e.*, a "split rating"), the higher of such ratings shall control, unless the S&P Rating is below BBB- or the Moody's Rating is below Baa3, in which case the lower

of the two ratings shall control.

"***Approved Fund***" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"***Assignee***" means the assignee of all or a portion of a Lender's rights and obligations under this Agreement pursuant to the terms of Section 7.05(b).

"***Assignment and Acceptance***" means an Assignment and Acceptance executed in accordance with Section 7.05(b) in the form attached hereto as Exhibit C.

"***Attributable Debt***" means, on any date of determination, (a) in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease, the capitalized amount or principal amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a Capitalized Lease.

"***Bail-In Action***" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"***Bail-In Legislation***" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"***Base Rate***" means, at any time, the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50% and (c) except during any period of time during which a notice delivered to the Borrower under Section 2.18 shall remain in effect, the daily LIBOR Market Index Rate for an Interest Period of one month plus 1.00%; each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate, the Federal Funds Rate or the LIBOR Market Index Rate.

"***Base Rate Advance***" means a loan that bears interest based upon the Base Rate as provided in Section 2.08(a)(i).

"***Benefit Plan***" means any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"***Board***" means the Board of Governors of the Federal Reserve System of the United States.

"***Borrower***" has the meaning set forth in the preamble.

"***Borrower Materials***" has the meaning set forth in Section 5.01.

"***Borrowing***" means a borrowing hereunder consisting of Base Rate Advances or Eurodollar Rate Advances made to the Borrower.

"***Business Day***" means a day of the year on which (i) banks are not required or authorized to close in New York City or Charlotte, North Carolina, and (ii) with respect to any borrowing, payment or rate

selection of Eurodollar Rate Advances, a day on which banks are not required or authorized to close in New York City, and on which dealings in Dollar deposits are carried on in the London interbank market and on which commercial banks are open for domestic and international business (including dealings in Dollar deposits) in London, England.

"***Capitalized Lease***" means any lease that is required to be capitalized on a balance sheet of the lessee in accordance with GAAP, consistently applied. Notwithstanding the foregoing, any obligation of a Person under a lease (whether existing now or entered into in the future) that is not (or would not be) a Capitalized Lease under GAAP as in effect on or before December 31, 2015, shall not be treated as a Capitalized Lease solely as a result of the adoption of ASC Topic 840 or 842 (or any successor or replacement provisions or any pronouncements in connection therewith).

"***Cash Collateral Account***" has the meaning set forth in Section 6.02.

"***Cash Collateralize***" means, to pledge and deposit in the Cash Collateral Account, or to pledge and deposit with or deliver to the Administrative Agent, for the benefit of one or more of the LC Issuing Banks, the Swing Line Banks or the Lenders, as collateral for Letters of Credit, obligations of Lenders to fund participations in respect of Letters of Credit or for the obligations of Lenders to purchase their respective Pro Rata Shares in respect of Swing Line Advances, cash or deposit account balances or, if the Administrative Agent and each applicable LC Issuing Bank or Swing Line Bank, as applicable, shall agree in their reasonable discretion, other credit support, in each case pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and each applicable LC Issuing Bank or Swing Line Bank, as applicable. "***Cash Collateral***" shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

"***CERCLA***" means the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C., § 9601, *et seq*., as amended from time to time, and any regulations promulgated thereunder.

"***Change in Law***" means the occurrence, after the Closing Date (or, if later, on or after the date the Administrative Agent or any Lender becomes the Administrative Agent or a Lender, respectively), of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"***Closing Date***" means the date of this Agreement.

"***Code***" means the Internal Revenue Code of 1986, as amended from time to time, or any successor federal tax code. Any reference to any provision of the Code shall also be deemed to be a reference to any successor provision or provisions thereof.

"***Commitment***" means (i) with respect to each Lender, the commitment of such Lender to make its Pro Rata Percentage of Advances and to participate in Letters of Credit in an aggregate amount up to the amount set forth opposite the name of each Lender on Schedule I, subject to adjustment on account of

assignment pursuant to Section 7.05(b), reduction of the Commitment pursuant to Section 2.10 or 2.24(d), or increase in the Commitment pursuant to Section 2.05, and (ii) with respect to the Lenders collectively, the aggregate amount of all such Commitments.

"***Commitment Letter***" means, that Commitment Letter, dated February 26, 2018 by and among the Borrower, the Parent, Wells Fargo, PNC Bank, National Association, and the Joint Lead Arrangers.

"***Common Stock***" means with respect to any Person, the voting securities or equivalent equity interests of such Person having general voting rights, including the right to vote in the election of members of the board of directors (or persons performing similar functions) of such Person.

"***Connection Income Taxes***" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"***Consolidated Tangible Total Assets***" means, as at any applicable time of determination, Consolidated Total Assets less, without duplication, all intangible assets such as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset, in each case as set forth in the most recently available consolidated balance sheet of the Parent and its Subsidiaries.

"***Consolidated Total Assets***" means, as at any applicable time of determination, the total assets of Parent and its Subsidiaries as set forth in the most recently available consolidated financial statements of the Parent and its Subsidiaries.

"***Consolidated Total Capitalization***" means at any date of determination with respect to the Parent and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, the sum of (without duplication) (i) Consolidated Total Debt of the Parent and its Subsidiaries, plus (ii) the sum of the capital stock (excluding treasury stock and capital stock subscribed for and unissued) and surplus (including earning surplus, capital surplus, translation adjustment, the balance of the current profit and loss account not transferred to surplus and accumulated other comprehensive income) accounts of the Parent and its Subsidiaries, in each case as shown on the most recent consolidated balance sheet of the Parent and its Subsidiaries delivered pursuant to Section 5.01(a).

"***Consolidated Total Debt***" means at any date of determination with respect to the Parent and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, the sum of (without duplication) all then outstanding Debt of the Parent and its Subsidiaries as shown on the most recent consolidated balance sheet of the Parent delivered pursuant to Section 5.01(a).

"***Continuing Directors***" means the directors of the Parent on the Closing Date and each subsequent director of the Parent, if, in each case, such subsequent director's election or nomination for election to the board of directors (or equivalent governing body) of the Parent is approved or ratified by at least a majority of the then "Continuing Directors".

"***Controlled Group***" means, with respect to any Person, all trades or businesses (whether or not incorporated) that, together with such Person, are treated as a single employer under Section 414 of the Code.

"***Convert***", "***Conversion***", "***Converted***", "***Continue***" and "***Continued***" each refers to a conversion of Advances of one Type into Advances of another Type or the selection of a new, or the renewal or continuation of the same, Interest Period for Eurodollar Rate Advances, as the case may be, pursuant to Section 2.19. "Converting", "Continuing" and "Continuation" have meanings correlative thereto.

"***Current Termination Date***" has the meaning set forth in Section 2.06(b).

"***Debt***" means, for any Person, (without duplication), all (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or service (other than trade payables not overdue by more than 90 days incurred in the ordinary course of business), (iv) the Attributable Debt of such Person with respect to such Person's obligations in respect of Capitalized Leases (regardless of whether accounted for as indebtedness under GAAP), (v) indebtedness of the type referred to in clauses (i) through (iv) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien or encumbrance on, or security interest in, property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness, and (vi) all obligations of such Person for indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) above under direct or indirect Guarantees, excluding, in all cases, (a) advances for construction as set forth on the consolidated balance sheet of the Parent and its Subsidiaries, (b) reimbursement obligations (contingent or otherwise) in respect of outstanding letters of credit and (c) the Attributable Debt of such Person with respect to such Person's obligations in respect of Synthetic Leases (regardless of whether accounted for as indebtedness under GAAP).

"***Debtor Relief Laws***" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

"***Default***" means any condition or event that constitutes an Event of Default or that with the giving of notice or lapse of time or both would, unless cured or waived in writing, become an Event of Default.

"***Defaulting Lender***" means, subject to Section 2.24(b), any Lender that (a) has failed to (i) fund all or any portion of its Advances within two (2) Business Days of the date such Advances were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any LC Issuing Bank, any Swing Line Bank or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swing Line Advances) within two (2) Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or any LC Issuing Bank or Swing Line Bank in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund an Advance hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, (iii) indicated its consent to, approval of or acquiescence in any such proceeding or appointment, or (iv) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent

company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (e) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.24(b)) upon delivery of written notice of such determination to the Borrower, each LC Issuing Bank, each Swing Line Bank and each Lender.

"***Designated Lender***" has the meaning set forth in Section 2.05(a).

"***Dollars***" or "***$***" means dollars in lawful currency of the United States of America.

"***EEA Financial Institution***" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"***EEA Member Country***" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"***EEA Resolution Authority***" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"***Eligible Assignee***" means (i) a Lender; (ii) an Affiliate of a Lender; (iii) an Approved Fund; and (iv) any bank or financial institution approved by (w) the Administrative Agent, (x) except for any Swing Line Bank which is a Lender being replaced pursuant to Section 2.23(b), each Swing Line Bank, (y) except for any LC Issuing Bank which (1) is a Lender being replaced pursuant to Section 2.23(b) and (2) has no Letters of Credit issued by it on such date of replacement, each LC Issuing Bank and (z) unless an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h) has occurred and is continuing at the time any assignment is effected in accordance with Section 7.05, the Borrower (each such approval not to be unreasonably withheld or delayed and such approval to be deemed given by the Borrower if no objection is received by the assigning Lender and the Administrative Agent from the Borrower within ten (10) Business Days after notice of such proposed assignment has been received by the Borrower); provided that (A) the Borrower or any of the Borrower's Subsidiaries or Affiliates, (B) any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B) and (C) any natural Person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person) shall not qualify as an Eligible Assignee.

"***Environmental Liabilities***" means any liabilities, whether accrued, contingent or otherwise, arising from and in any way associated with the compliance or non-compliance with any Environmental Requirement.

"***Environmental Proceedings***" means any judicial or administrative proceedings arising from or in any way associated with any Environmental Requirement.

"***Environmental Requirement***" means, with respect to any Person, any legal requirement relating to health, safety or the environment and applicable to such Person, or the Properties of such Person, including

but not limited to any such requirement under CERCLA, RCRA or similar state legislation and all federal, state and local laws, ordinances, regulations, orders, writs, decrees and common law.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

"***EU Bail-In Legislation Schedule***" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"***Eurocurrency Liabilities***" has the meaning assigned to that term in Regulation D of the Board, as in effect from time to time.

"***Eurodollar Rate***" means a rate per annum determined by the Administrative Agent pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{LIBOR}}{\text{1.00-Eurodollar Rate Reserve Percentage}}$$

"***Eurodollar Rate Advance***" means a loan that bears interest based upon the Eurodollar Rate as provided in Section 2.08(a)(ii).

"***Eurodollar Rate Reserve Percentage***" means, for any day during an Interest Period, the reserve percentage (expressed as a decimal) which is in effect for such day as prescribed by the Board for determining the maximum reserve requirement (including any basic, supplemental or emergency reserves) in respect of Eurocurrency Liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

"***Event of Default***" has the meaning set forth in Section 6.01.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended from time to time.

"***Excluded Taxes***" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in an Advance or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Advance or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.23(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.17, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.17(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"***Existing Credit Agreement***" has the meaning set forth in the recitals.

"***Existing Letters of Credit***" means the letters of credit set forth on Schedule 2.04(k).

"***Extension of Credit***" means (i) the making of an Advance or (ii) the issuance of a Letter of Credit or the amendment of any Letter of Credit having the effect of extending the stated termination date thereof or increasing the maximum amount to be drawn thereunder.

"***Extension Request***" has the meaning specified in Section 2.06(b).

"***Facility Fee***" has the meaning set forth in Section 2.09(a).

"***FATCA***" means Sections 1471 through 1474 of the Code, as of the Closing Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code.

"***Federal Funds Rate***" means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that if such rate is not so published for any day which is a Business Day, the Federal Funds Rate for such day shall be the average of the quotation for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent. Notwithstanding the foregoing, if the Federal Funds Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"***Fee Letter***" means each of those certain fee letters, dated February 26, 2018, among the Borrower and each of the Joint Lead Arrangers and the other parties thereto.

"***Financial Officer***" of any Person means the chief financial officer, principal accounting officer, treasurer, assistant treasurer, controller or assistant controller of such Person.

"***Financial Services Agreement***" means any Financial Services Agreement between the Borrower and one or more of the Parent and the Operating Utilities, each in substantially the form of Exhibit E; provided that for purposes of Section 3.01(c)(i), the term "Financial Services Agreement" means the Financial Services Agreement dated as of June 15, 2000, between the Borrower and the Parent.

"***Fiscal Quarter***" means any fiscal quarter of the Borrower or the Parent, as applicable.

"***Fiscal Year***" means any fiscal year of the Borrower or the Parent, as applicable.

"***Foreign Lender***" means a Lender that is not a U.S. Person.

"***Fronting Exposure***" means, at any time there is a Defaulting Lender, (a) with respect to any LC Issuing Bank, such Defaulting Lender's Pro Rata Percentage of the LC Outstandings with respect to Letters of Credit issued by such LC Issuing Bank other than LC Outstandings as to which such Defaulting Lender's participation obligation has been reallocated to Non-Defaulting Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to any Swing Line Bank, such Defaulting Lender's Pro Rata Percentage of outstanding Swing Line Advances made by such Swing Line Bank other than Swing Line Advances as to which such Defaulting Lender's participation obligation has been reallocated to Non-Defaulting Lenders or Cash Collateralized in accordance with the terms hereof.

"***Fund***" means any Person (other than a natural Person) that is engaged in making, purchasing, holding or otherwise investing in commercial loans, bonds and similar extensions of credit in the ordinary course of its business.

"***GAAP***" means generally accepted accounting principles in the United States of America in effect from time to time.

"***Governmental Authority***" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"***Guarantee***" means, with respect to any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds) for the purchase or payment of such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to provide collateral security or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee shall be deemed to be the lower of (x) an amount equal to the stated or determinable amount of the obligation in respect of which such Guarantee is made and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guarantee, unless such obligation and the maximum amount for which such Person may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such Person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith. The term "Guarantee" used as a verb has a corresponding meaning.

"***Hazardous Materials***" means (i) solid or hazardous waste, as defined in the RCRA, or in any applicable state or local law or regulation, (ii) "hazardous substance", "pollutant" or "contaminant" as defined in CERCLA, or in any applicable state or local law or regulation, (iii) gasoline, or any other petroleum product or by-product, including crude oil or any fraction thereof, (iv) "toxic substances", as defined in the Toxic Substances Control Act of 1976, or in any applicable state or local law or regulation and (v) "insecticides", "fungicides" or "rodenticides", as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975 or in any applicable state or local law or regulation.

"***Indemnified Taxes***" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"***Indemnitee***" has the meaning set forth in Section 7.03(b).

"***Interest Period***" means, for each Eurodollar Rate Advance, the period commencing on the date of such Advance or the date of the Conversion of any Advance into such an Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. In the case of a Eurodollar Rate Advance, the duration of each such Interest Period shall be 7 days or one, two, three or six months (or twelve

months if available to all Lenders), in each case as the Borrower may select by notice to the Administrative Agent pursuant to Section 2.02(a) or 2.19; provided, that:

(1) the Borrower may not select any Interest Period that ends after the stated Termination Date;

(2) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day; provided, in the case of any Interest Period for a Eurodollar Rate Advance, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(3) except with respect to any Interest Period that is 7 days, any Interest Period for a Eurodollar Rate Advance that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month at the end of such Interest Period;

(4) the Interest Period shall commence on the date of advance of or Conversion to any Eurodollar Rate Advance and, in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the date on which the immediately preceding Interest Period expires; and

(5) there shall be no more than twelve (12) Interest Periods in effect at any time.

"***Investment Company Act***" has the meaning set forth in Section 4.08.

"***IRS***" means the United States Internal Revenue Service.

"***Joint Lead Arranger***" means each of Wells Fargo Securities, LLC, JPMorgan Chase Bank, N.A., Mizuho Bank, Ltd., PNC Capital Markets LLC, and U.S. Bank National Association, and their respective successors, in their capacity as joint lead arrangers and joint bookrunners.

"***LC Commitment***" means in the case of (a) an LC Issuing Bank described in clause (a) of the definition of such term, the amount set forth on Schedule 2.04 opposite such LC Issuing Bank's name and (b) any other LC Issuing Bank, the amount set forth in the agreement executed by the Borrower, such relevant LC Issuing Bank and acknowledged (to evidence its consent as to the identity of such LC Issuing Bank) by the Administrative Agent, in each case, subject to adjustment on account of a reduction in the LC Commitments pursuant to Section 2.10. The aggregate LC Commitments of all the LC Issuing Banks on the Closing Date shall be $150,000,000. The LC Commitment of each LC Issuing Bank shall be a part of and not in addition to such LC Issuing Bank's Commitment as a Lender.

"***LC Disbursement***" has the meaning set forth in Section 2.04(e).

"***LC Fee***" has the meaning set forth in Section 2.09(b).

"***LC Issuing Bank***" means, as to any Letter of Credit, (a) each Lender listed on Schedule 2.04 and (b) any other Lender appointed by the Borrower and approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed) that agrees pursuant to Section 2.04 to act as an LC Issuing Bank hereunder.

"***LC Notice Date***" has the meaning set forth in Section 2.04(f).

"***LC Outstandings***" means, on any date of determination, (i) the undrawn stated amounts of all Letters of Credit that are outstanding on such date, plus (ii) the aggregate principal amount of all unpaid Reimbursement Obligations on such date with respect to payments made by any LC Issuing Bank under any Letter of Credit.

"***LC Payment Notice***" has the meaning set forth in Section 2.04(f).

"***LC Reimbursement Due Date***" has the meaning set forth in Section 2.04(e).

"***Lenders***" means each of the Lenders identified on the signature pages hereto, and their successors and permitted assigns.

"***Lending Office***" means, with respect to any Lender, the office of such Lender maintaining such Lender's Extensions of Credit.

"***Letter of Credit***" means any letter of credit issued by an LC Issuing Bank pursuant to Section 2.04.

"***LIBOR***" means, for any interest rate calculation during any Interest Period with respect to a Eurodollar Rate Advance, the rate of interest per annum determined on the basis of the rate for deposits in Dollars for a period equal to the applicable Interest Period which appears on Reuters Screen LIBOR01 Page (or any applicable successor page) at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period. If, for any reason, such rate does not appear on Reuters Screen LIBOR01 Page (or any applicable successor page), then "LIBOR" shall be determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in Dollars would be offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period for a period equal to such Interest Period. Each calculation by the Administrative Agent of LIBOR in accordance with the provisions of this Agreement shall be conclusive and binding for all purposes, absent manifest error. Notwithstanding the foregoing, in no event shall LIBOR be less than 0.00%.

"***LIBOR Market Index Rate***" means for any day, the rate for one (1) month Dollar deposits as reported on Reuters Screen LIBOR01 Page, or its successor page, as of 11:00 a.m. (London time), on such day, or if such day is not a Business Day, then the immediately preceding Business Day (or if not so reported, then as determined by the Administrative Agent from another recognized source or interbank quotation). If, for any reason, such rate does not appear on Reuters Screen LIBOR01 Page (or any applicable successor page) then the "LIBOR Market Index Rate" shall be determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in Dollars would be offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 a.m. (London time) on such date of determination for a period equal to one month commencing on such date of determination. Each calculation by the Administrative Agent of the LIBOR Market Index Rate in accordance with the provisions of this Agreement shall be conclusive and binding for all purposes, absent manifest error. Notwithstanding the foregoing, in no event shall the LIBOR Market Index Rate be less than 0.00%.

"***LIBOR Market Index Rate Advance***" means a Swing Line Advance that bears interest based upon the LIBOR Market Index Rate as provided in Section 2.08(a)(iii).

"***Lien***" means, with respect to any asset, any mortgage, leasehold mortgage, lien, pledge, charge, security interest, hypothecation or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds

subject to the interest of a vendor or lessor under any conditional sale agreement, Capitalized Lease or other title retention agreement relating to such asset.

"***Loan Documents***" means this Agreement, the Support Agreement, each Fee Letter, the Notes and any other document evidencing, relating to or securing the Advances, and any other document or instrument delivered from time to time in connection with this Agreement, the Notes or the Advances.

"***Margin Regulations***" means Regulations T, U and X of the Board, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"***Margin Stock***" has the meaning assigned to that term in the Margin Regulations.

"***Material Adverse Change***" means any (i) material adverse change with respect to the Properties, business, condition (financial or otherwise) or operations of the Borrower or of the Parent and its Subsidiaries, taken as a whole, or (ii) material adverse effect on the legality, validity or enforceability of the Loan Documents or on the ability of the Borrower or the Parent to perform its obligations thereunder.

"***Moody's***" means Moody's Investors Service, Inc.

"***Moody's Rating***" means, with respect to any Person, on any date of determination, the debt rating most recently announced by Moody's with respect to the senior unsecured, non-credit enhanced debt issued by such Person.

"***Multiemployer Plan***" means a plan as described in Section 4001(a)(3) of ERISA to which the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing contributes or has an obligation to contribute.

"***Non-Consenting Lender***" has the meaning set forth in Section 7.04(b).

"***Non-Defaulting Lender***" means, at any time, each Lender that is not a Defaulting Lender at such time.

"***Non-Extending Lender***" has the meaning set forth in Section 2.06(b).

"***Note***" or "***Notes***" means each of the promissory notes of the Borrower, evidencing the obligation of the Borrower to repay the Advances to the Lenders substantially in the form of Exhibit D.

"***Notice of Borrowing***" has the meaning set forth in Section 2.02(a).

"***Notice of Swing Line Borrowing***" has the meaning set forth in Section 2.03(a).

"***Obligations***" means, in each case, whether now in existence or hereafter arising: (a) the principal of and interest on (including interest accruing after the filing of any bankruptcy or similar petition) the Advances, (b) the LC Outstandings and any interest thereon and (c) all other fees (including reasonable and documented attorneys' fees), charges, indebtedness, loans, liabilities, financial accommodations, obligations, covenants and duties owing by the Borrower to the Lenders, the LC Issuing Banks or the Administrative Agent, in each case under any Loan Document, with respect to any Advance or Letter of Credit of every kind, nature and description, direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note and including interest and fees that accrue after the commencement by or against the Borrower or the Parent of any proceeding under any federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating

to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"***OFAC***" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"***Operating Lease***" means, as to any Person as determined in accordance with GAAP, any lease of Property (whether real, personal or mixed) by such Person as lessee which is not a Capitalized Lease.

"***Operating Utilities***" means, as of any date of determination, those Subsidiaries of the Parent that are operating water utilities and that are party to a Financial Services Agreement with the Borrower and the Parent.

"***Other Connection Taxes***" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Advance or Loan Document).

"***Other Taxes***" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.23).

"***Outstanding Credits***" means, on any date of determination, an amount equal to the sum of (i) the aggregate principal amount of all Advances outstanding on such date plus (ii) the LC Outstandings on such date. The "Outstanding Credits" of any Lender means, on any date of determination, an amount equal to such Lender's Pro Rata Share of the aggregate Outstanding Credits on such date.

"***Parent***" means American Water Works Company, Inc., a Delaware corporation.

"***Parent Change of Control***" means the occurrence of either of the following: (i) any entity, person (within the meaning of Section 14(d) of the Exchange Act) or group (within the meaning of Section 13(d) of the Exchange Act), that theretofore was beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of less than 45% of the Parent's then outstanding Common Stock acquires direct or indirect beneficial ownership of shares of Common Stock of the Parent, in a transaction or series of transactions, that results in such entity, person or group directly or indirectly owning beneficially 45% or more of the Parent's then outstanding Common Stock; or (ii) a majority of the board of directors (or equivalent governing body) of the Parent shall not be Continuing Directors.

"***Participant***" has the meaning set forth in Section 7.05(e).

"***Participant Register***" has the meaning set forth in Section 7.05(e).

"***Participation Interest***" means a purchase by a Lender of a participation in Advances as provided in Section 2.22.

"***Payment Date***" means each March 31, June 30, September 30 and December 31 and the Termination Date.

"***PBGC***" means the Pension Benefit Guaranty Corporation pursuant to Subtitle A or Title IV of ERISA or any entity succeeding to any or all of its functions under ERISA.

"***Permitted Liens***" means:

(i) Liens existing, or created pursuant to the terms of agreements existing, on the Closing Date;

(ii) Liens consisting of (A) pledges or deposits in the ordinary course of business to secure obligations under workmen's compensation laws or similar legislation, (B) deposits in the ordinary course of business to secure or in lieu of surety, appeal or customs bonds to which the Borrower, the Parent or a Significant Subsidiary of the Parent is a party, (C) Liens created by or resulting from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings diligently conducted, (D) pledges or deposits in the ordinary course of business to secure performance in connection with bids, tenders or contracts (other than contracts for the payment of money) or (E) materialmen's, mechanics', carriers', workmen's, repairmen's or other like Liens incurred in the ordinary course of business for sums not yet due or currently being contested in good faith by appropriate proceedings diligently conducted;

(iii) Liens created to secure tax-exempt Debt or any other tax-exempt indebtedness, in connection with the financing or refinancing of the purchase, lease or construction of Properties or other assets;

(iv) Liens on Properties or assets (A) of any Person existing at the time such Person is merged or consolidated with or into, or such asset is acquired by, the Borrower, the Parent or a Subsidiary of the Parent and (B) of the Borrower, the Parent or a Subsidiary of the Parent existing at the time such tangible property or tangible assets are purchased or otherwise acquired by the Borrower, the Parent or such Subsidiary; provided that, with respect to each of the foregoing clauses (A) and (B), (1) such Liens are not incurred in connection with, or in anticipation of, such event, purchase or other acquisition, and (2) such Liens do not attach to any other Property or asset of the Borrower, the Parent or any such Subsidiary; and provided further that, with respect to the foregoing clause (B), (1) such Liens are applicable only to specific Property or assets, and (2) such Liens are not "blanket" or all asset Liens;

(v) Liens created to secure sales of accounts receivable and other receivables;

(vi) licenses of intellectual property granted by the Borrower, the Parent or a Subsidiary of the Parent in the ordinary course of business and not interfering in any material respect with the ordinary conduct of business;

(vii) Liens of landlords arising under real property leases to the extent such Liens arise in the ordinary course of business and do not secure any past due obligation for the payment of money;

(viii) any interest or title of a lessor or sublessor under any lease permitted by this Agreement;

(ix) Liens, securing Debt which has neither been assumed by the Borrower, the Parent or a Subsidiary of the Parent nor upon which it customarily pays interest charges, existing upon real property, or rights in or relating thereto, which real property or rights were acquired for right-of-way purposes;

(x) zoning laws and ordinances;

(xi) Capitalized Leases;

(xii) easements, rights-of-way, restrictions, conditions and other similar encumbrances, minor defects or irregularities of title, and alleys, streets and highways, which in the aggregate do not materially impair the usefulness of the mortgaged property in the present business of the Borrower, the Parent or any Subsidiary of the Parent;

(xiii) leases of the Properties and other assets of the Borrower, the Parent or a Subsidiary of the Parent, in each case entered into in the ordinary course of business and that do not, individually or in the aggregate, (A) interfere in any material respect with the ordinary course of business or (B) materially impair the value of the property subject thereto;

(xiv) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Borrower, the Parent or a Subsidiary of the Parent in the ordinary course of business in accordance with the past practices of the Borrower, the Parent or such Subsidiary of the Parent;

(xv) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and cash equivalents on deposit in one or more accounts maintained by the Borrower, the Parent or any Subsidiary of the Parent, in each case granted in the ordinary course of business in favor of the financial institution or institutions with which such accounts are maintained, securing amounts owing to such financial institution(s) with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; provided that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (either directly or indirectly) the repayment of any Debt;

(xvi) Liens for taxes, assessments or governmental charges or levies not yet delinquent and which may subsequently be paid without interest or penalties and Liens for taxes, assessments or governmental charges or levies which are being contested in good faith by appropriate proceedings for which reserves have been established to the extent required by GAAP;

(xvii) purchase money Liens upon or in any fixed or capital assets, or other property created, acquired or constructed for use in connection therewith or related thereto, to secure the purchase price or the cost of construction or improvement of such fixed or capital assets or such other property or to secure Debt incurred solely for the purpose of financing the acquisition, construction or improvement of such fixed or capital assets or such other property (including Liens securing any Capitalized Leases) or Liens on any such assets or property existing at the time of acquisition thereof; provided, that (i) such Lien attaches to such asset or property prior to, concurrently or within 180 days (or within one year thereafter pursuant to a binding commitment for financing entered into with a lender or investor within such 180-day period) after the acquisition, improvement or completion of the construction thereof; (ii) such Lien does not extend to any other asset theretofore owned by the Borrower, the Parent or any Subsidiary of the Parent except (w) unimproved real property on which the property so constructed or the improvement is located, (x) other property (or improvement thereon) which is an improvement to or is acquired or constructed for use in connection therewith or related thereto, (y) any right and interest under any agreement or other document relating to the property being so constructed or improved or such other property and (z) the stock of any Subsidiary of the Parent created or maintained for the primary purpose of owning the property so constructed or improved; and (iii) the Debt secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets or such other property;

(xviii) Liens not permitted by the foregoing subsections (i) through (xvii) securing Debt or other obligations in the aggregate principal amount not to exceed 15% of Consolidated Tangible Total Assets;

(xix) Liens created for the sole purpose of refinancing, extending, renewing or replacing in whole or in part Debt or other obligations secured by any Lien, mortgage or security interest referred to in the foregoing subsections (i) through (xviii); provided that the principal amount of Debt or obligations secured thereby shall not exceed the principal amount of Debt or obligations so secured at the time of such refinancing, extension, renewal or replacement and the Lien securing such refinancing, extension, renewal or replacement, as the case may be, shall be limited to all or a part of the Property or assets that secured the Debt or other obligations so extended, renewed or replaced (and any improvements on such Property or assets); and

(xx) (i) Liens created pursuant to the Loan Documents (other than the Support Agreement) and (ii) Liens granted in favor of the Administrative Agent, the Swing Line Banks and/or the LC Issuing Banks to Cash Collateralize any LC Issuing Bank's or Swing Line Bank's Fronting Exposure.

"***Person***" means an individual, a corporation, a partnership (including a joint venture), an unincorporated association, a limited liability company, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

"***Plan***" means at any time an employee pension benefit plan (other than a Multiemployer Plan) that is subject to the provisions of Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is maintained by a member of the Controlled Group for employees of a member of the Controlled Group.

"***Platform***" has the meaning set forth in Section 5.01.

"***Prime Rate***" means, at any time, the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day specified in the public announcement of such change. The parties hereto acknowledge that the rate announced publicly by the Administrative Agent as its prime rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks.

"***Pro Rata Percentage***" or "***Pro Rata Share***" means for each Lender, a fraction (expressed as a decimal) the numerator of which is the Commitment of such Lender at such time and the denominator of which is the aggregate Commitment of the Lenders at such time. The initial Pro Rata Percentages are set out on Schedule I. Notwithstanding the foregoing, if the Termination Date has occurred, the "Pro Rata Percentage" or "Pro Rata Share" shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"***Properties***" means, with respect to, any Person, all real property owned, leased or otherwise used or occupied by such Person wherever located.

"***Proposed Change***" has the meaning set forth in Section 7.04(b).

"***PTE***" means a statutory prohibited transaction exemption, or a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"***Public Lender***" has the meaning set forth in Section 5.01.

"***RCRA***" means the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq., as amended from time to time, and any regulations promulgated thereunder.

"***Recipient***" means (a) the Administrative Agent, (b) any Lender, (c) any Swing Line Bank and (d) any LC Issuing Bank, as applicable.

"***Register***" has the meaning set forth in Section 7.05(c).

"***Reimbursement Obligation***" means the obligation of the Borrower to reimburse an LC Issuing Bank pursuant to Section 2.04 (d) for amounts drawn under Letters of Credit issued by such LC Issuing Bank.

"***Related Parties***" means, with respect to any Person, such Person's Affiliates and the directors, officers, employees, agents, and advisors of such Person and of such Person's Affiliates.

"***Replacement Rate***" has the meaning set forth in Section 2.18(c).

"***Request for Issuance***" means a request made pursuant to Section 2.04 in the form of Exhibit B.

"***Required Lenders***" means, at any time, Lenders holding in the aggregate more than 50% of the Outstanding Credits and unutilized Commitments at such time; provided that the Outstanding Credits of any Defaulting Lender shall be disregarded in determining Required Lenders at any time, provided, further that the amount of any participation in any Swing Line Advance or Letter of Credit that such Defaulting Lender has failed to fund that has not been reallocated to and funded by another Lender, to the extent such Lender shall have been required to fund its participation in the outstanding Swing Line Advance of Letter of Credit and failed to do so, shall be deemed to be held by the Lender that is the applicable Swing Line Bank or LC Issuing Bank, as the case may be, in making such determination.

"***Resignation Effective Date***" has the meaning set forth in Section 8.08(a).

"***Responsible Officer***" means the chief executive officer, chief operating officer, president or any other Financial Officer of the Parent or the Borrower, and any other officer of the Parent or the Borrower with responsibility for the administration of the obligations of the Parent or the Borrower under this Agreement.

"***S&P***" means Standard & Poor's Financial Services LLC.

"***S&P Rating***" means, with respect to any Person, on any date of determination, the debt rating most recently announced by S&P with respect to the senior unsecured, non-credit enhanced debt issued by such Person.

"***Sale and Leaseback Transaction***" means, with respect to the Borrower, the Parent or any Subsidiary of the Parent, any arrangement (including any series of related arrangements), whereby it shall sell or transfer any Property (real or personal) to any other Person (other than the Borrower, the Parent or any Subsidiary of the Parent), and thereafter rent or lease such Property or portion thereof that it intends to use for substantially the same purpose or purposes as the Property sold or transferred.

"***Sanctioned Country***" means at any time, a country, region or territory which is itself the subject or target of any Sanctions (including, without limitation, as of the Closing Date, Cuba, Crimea, Iran, North Korea, Sudan and Syria).

"***Sanctioned Person***" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in clauses (a) and (b).

"***Sanctions***" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC or the U.S. Department of State), the European Union, Her Majesty's Treasury, the United Nations Security Council, or other relevant sanctions authority.

"***SEC***" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"***Significant Subsidiary***" means the Borrower and with respect to any other Person, a Subsidiary of such Person that is a "significant subsidiary" (within the meaning of Regulation S-X of the SEC). Each Significant Subsidiary of the Parent is set forth on Schedule II (as such Schedule may be updated pursuant to and in accordance with Section 5.01(c)(v)).

"***Subsidiary***" means, with respect to any Person, any corporation or unincorporated entity of which more than 50% of the outstanding capital stock (or comparable interest) having ordinary voting power (irrespective of whether at the time capital stock (or comparable interest) of any other class or classes of such corporation or entity shall or might have voting power upon the occurrence of any contingency) is at any time directly or indirectly owned by said Person (whether directly or through one or more of the other Subsidiaries). In the case of an unincorporated entity, a Person shall be deemed to have more than 50% of interests having ordinary voting power only if such Person's vote in respect of such interests comprises more than 50% of the total voting power of all such interests in the unincorporated entity.

"***Support Agreement***" means that certain Support Agreement, dated June 22, 2000, between the Parent and the Borrower, as amended by that certain First Amendment to Support Agreement dated as of July 26, 2000.

"***Swing Line Advance***" means a loan that bears interest as provided in Section 2.08(a)(iii).

"***Swing Line Bank***" means as to any Swing Line Advance, (a) each Lender listed on Schedule 2.03 and (b) any other Lender appointed by the Borrower and approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed) that agrees pursuant to Section 2.03 to act as a Swing Line Bank hereunder.

"***Swing Line Borrowing***" means a borrowing hereunder consisting of Swing Line Advances made to the Borrower.

"***Swing Line Commitment***" means the commitment of each Swing Line Bank to make Swing Line Advances in the case of (a) a Swing Line Bank described in clause (a) of the definition of such term, in the amount set forth on Schedule 2.03 opposite such Swing Line Bank's name, and (b) any other Swing Line Bank, in the amount set forth in the agreement executed by the Borrower, such relevant Swing Line Bank and acknowledged (to evidence its consent as to the identity of such Swing Line Bank) by the Administrative Agent, in each case, subject to adjustment on account of a reduction in the Swing Line Commitments pursuant to Section 2.10. The aggregate Swing Line Commitments of all the Swing Line

Banks on the Closing Date shall be $100,000,000. The Swing Line Commitment of each Swing Line Bank shall be a part of and not in addition to such Swing Line Bank's Commitment as a Lender.

"***Synthetic Lease***" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease in accordance with GAAP.

"***Taxes***" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"***Termination Date***" means the earliest to occur of (a) with respect to any Lender, March 21, 2023, unless, with respect to such Lender, such date is otherwise extended pursuant to Section 2.06, (b) the date of termination of the aggregate Commitments by the Borrower pursuant to Section 2.10, or (c) the date of termination of the aggregate Commitments pursuant to Section 6.01.

"***Type***" with respect to an Advance (other than a Swing Line Advance), means any of the following, each of which shall be deemed to be a different "***Type***" of Advance: a Base Rate Advance and each Eurodollar Rate Advance having the same Interest Period.

"***U.S. Person***" means any Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

"***U.S. Tax Compliance Certificate***" has the meaning assigned to such term in Section 2.17(g).

"***Wells Fargo***" means Wells Fargo Bank, National Association, a national banking association, and its successors.

"***Withdrawal Liability***" means a liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as described in Part I of Subtitle E of Title IV of ERISA.

"***Withholding Agent***" means the Borrower and the Administrative Agent.

"***Write-Down and Conversion Powers***" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 1.02 Accounting Terms and Determinations. Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision (including any definition) hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accounts (or successors thereto or agencies with similar functions), and such change affects the calculation of any component of any financial covenant, standard or term found in this Agreement (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such

change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith, and the Borrower and the Lenders agree to enter into negotiations in order to amend such provisions (with the agreement of the Required Lenders or, if required by Section 7.04, all of the Lenders) so as to equitably reflect such changes with the desired result that the criteria for evaluating any of the Parent and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made. Notwithstanding the foregoing, the determination of compliance with any covenant contained herein (including the computation of any amounts and ratios) shall be made without giving effect to any election under FASB ASC Topic 825 (or any other Financial Accounting Standard having a similar result or effect) to value any Debt or other liabilities of the Borrower, the Parent or any of its Subsidiaries at "fair value", as defined therein, and Debt shall be measured at the outstanding principal amount thereof.

Section 1.03 Use of Defined Terms. All terms defined in this Agreement shall have the same meanings when used in any of the other Loan Documents (other than the Support Agreement), unless otherwise defined therein or unless the context shall otherwise require.

Section 1.04 Other Definitions and Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document: (a) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined, (b) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms, (c) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (d) the word "will" shall be construed to have the same meaning and effect as the word "shall", (e) any reference herein to any Person shall be construed to include such Person's successors and assigns, (f) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (g) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (h) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, and (i) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including".

Section 1.05 References to Agreement and Laws. Unless otherwise expressly provided herein, (a) references to formation documents, governing documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any applicable law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such applicable law.

Section 1.06 Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit (at the time specified therefor in such applicable Letter of Credit and as such amount may be reduced by (a) any permanent reduction of such Letter of Credit or (b) any amount which is drawn, reimbursed and no longer available under such Letter of Credit).

Section 1.07 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

ARTICLE II
THE EXTENSIONS OF CREDIT

Section 2.01 Commitment to Extend Credit.

(a) Each Lender severally agrees, on the terms and conditions set forth herein, to make its Pro Rata Share of Advances (other than Swing Line Advances) in Dollars to the Borrower from time to time before the Termination Date; provided that, immediately after each such Advance is made, (i) with respect to each Lender individually, the Outstanding Credits of such Lender shall not exceed such Lender's Commitment, and (ii) with respect to the Lenders collectively, the aggregate Outstanding Credits shall not exceed the Lenders' aggregate Commitment.

(b) Each Swing Line Bank severally agrees, on the terms and conditions set forth herein, to make Swing Line Advances in Dollars to the Borrower from time to time before the Termination Date; provided that, immediately after each such Swing Line Advance is made: (i) the outstanding aggregate principal amount of the Swing Line Advances made by such Swing Line Bank shall not exceed such Swing Line Bank's Swing Line Commitment, (ii) the outstanding aggregate principal amount of the Swing Line Advances shall not exceed the aggregate Swing Line Commitments, (iii) the outstanding aggregate principal amount of the Swing Line Advances made by such Swing Line Bank, together with the Outstanding Credits (other than Swing Line Advances) of the applicable Lender acting as a Swing Line Bank shall not exceed such Lender's Commitment, (iv) with respect to each Lender individually, the Outstanding Credits of such Lender shall not exceed such Lender's Commitment, and (v) with respect to the Lenders collectively, the aggregate Outstanding Credits shall not exceed the Lenders' aggregate Commitment.

(c) Within the foregoing limits, the Borrower may borrow under this Section, repay or, to the extent permitted by Section 2.12, prepay Advances and reborrow under this Section at any time before the Termination Date.

Section 2.02 Method of Borrowing.

(a) Each Borrowing shall be made on a Business Day, upon notice from the Borrower to the Administrative Agent, given (i) in the case of a Borrowing that is a Base Rate Advance, not later than 1:00 P.M. on the date of the proposed Borrowing and (ii) in the case of a Borrowing that is a Eurodollar Rate Advance, not later than 11:00 A.M. on the third Business Day prior to the date of the proposed Borrowing. Each such notice of a Borrowing (a "***Notice of Borrowing***") by the Borrower shall be in substantially the form of Exhibit A, specifying therein the requested (A) date of such Borrowing, (B) Type of Advance to be made in connection with such Borrowing, (C) aggregate amount of such Borrowing and (D) in the case of a Borrowing comprising Eurodollar Rate Advances, initial Interest Period for each such Advance. The Administrative Agent shall give notice to each Lender promptly upon receipt of each Notice of Borrowing pursuant to this Section 2.02(a), the contents thereof and each such Lender's Pro Rata Share of any Borrowing to be made pursuant thereto. Each Lender shall, before 1:00 P.M. on the date of such Borrowing (or 3:00 P.M. on the date of such Borrowing with respect to Base Rate Advances), make available to the Administrative Agent for the account of the Borrower in same day funds, the proceeds of such Borrowing. Such Borrowing will then be made available to the Borrower by the Administrative Agent by crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent (or at such other location as may be agreed by the Borrower and the Administrative Agent).

(b) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to comprise Eurodollar Rate Advances, the

Borrower shall indemnify the applicable Lender against any loss, cost or expense incurred by such Lender as a result of any failure of the Borrower to fulfill on or before the date specified in such Notice of Borrowing for such Advances, the applicable conditions set forth in Article III, including any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or redeployment of deposits or other funds acquired by such Lender as part of such Borrowing when such Advance is not made on such date.

(c) Each Borrowing (whether for a Base Rate Advance or a Eurodollar Rate Advance) shall be in an aggregate principal amount of $5,000,000 or any multiple of $1,000,000 in excess thereof (except that any such Borrowing may be in the aggregate amount of the unutilized Commitment on such date).

Section 2.03 Method of Swing Line Borrowing.

(a) Each Swing Line Borrowing shall be made on a Business Day, upon notice from the Borrower to the Administrative Agent and a Swing Line Bank, given not later than 1:00 P.M. on the date of the proposed Swing Line Borrowing. Each such notice of a Swing Line Borrowing (a "***Notice of Swing Line Borrowing***") by the Borrower shall be in substantially the form of Exhibit A, specifying therein (i) the requested date of such Swing Line Borrowing, (ii) the requested aggregate amount of such Swing Line Borrowing and (iii) whether the interest rate for such Swing Line Borrowing is to based on the Base Rate or the LIBOR Market Index Rate. The applicable Swing Line Bank shall, before 3:00 P.M. on the date of such Swing Line Borrowing, make available to the Administrative Agent for the account of the Borrower in same day funds, the proceeds of such Swing Line Borrowing. Such Swing Line Borrowing will then be made available to the Borrower by the Administrative Agent by crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by such Swing Line Bank and in like funds as received by the Administrative Agent. For purposes of determining the amount of Outstanding Credits of any Lender and the amount of unutilized Commitments, each Swing Line Borrowing made by a Swing Line Bank will be deemed to comprise outstanding Advances of the Lenders made in accordance with their Pro Rata Percentages. In addition to the Swing Line Banks listed on Schedule 2.03, the Borrower may from time to time appoint one or more other Lenders (with the consent of such Lender (which consent may be withheld in the sole discretion of such Lender) and the Administrative Agent (such consent not to be unreasonably withheld or delayed)) to act as a Swing Line Bank hereunder. Any such appointment and the terms thereof (including the Swing Line Commitment of such Swing Line Bank) shall be evidenced by a separate written agreement executed by the Borrower and such Swing Line Bank and acknowledged (to evidence its consent as to the identity of such Swing Line Bank) by the Administrative Agent. The Administrative Agent shall give prompt notice of any such appointment to the Lenders. Upon such appointment, if and for so long as such Lender shall have any obligation to make Swing Line Advances hereunder or any Swing Line Advance shall remain outstanding, such Lender shall be deemed to be, and shall have all the rights and obligations of, a "Swing Line Bank" under this Agreement.

(b) Each Swing Line Borrowing shall be in the aggregate principal amount of $1,000,000 or any multiple of $500,000 in excess thereof, or such lesser amount as shall be equal to the aggregate amount of the unutilized Commitment on such date.

(c) Notwithstanding anything in this Section 2.03 above to the contrary:

i. the aggregate amount of the Swing Line Advances outstanding at any time shall not exceed the aggregate Swing Line Commitments;

ii. the aggregate amount of the Swing Line Advances of a Swing Line Bank outstanding at any time shall not exceed the Swing Line Commitment of such Swing Line Bank;

iii. no more than one Swing Line Advance may be made on the same Business Day; and

iv. each Swing Line Advance shall be paid in full by the Borrower on the earlier to occur of (x) the fourteenth (14th) Business Day after the date the Swing Line Advance is made for such Swing Line Advance and (y) the Termination Date; provided, that such payment shall not be made from the proceeds of any other Swing Line Advances.

(d) Any Swing Line Bank that has made a Swing Line Advance may, at any time and from time to time in its sole and absolute discretion, on behalf of the Borrower (which hereby irrevocably directs the applicable Swing Line Bank to act on its behalf), by written notice given no later than 11:00 a.m. on any Business Day request each Lender to make, and each Lender hereby agrees to make, a Base Rate Advance in an amount equal to such Lender's Pro Rata Percentage of the aggregate amount of the Swing Line Advance outstanding on the date of such notice, to repay the applicable Swing Line Bank. Each Lender shall make the amount of such Base Rate Advance available to the Administrative Agent in immediately available funds at the Administrative Agent's office not later than 1:00 p.m. on the day specified in such notice. The proceeds of such Base Rate Advance shall be immediately made available by the Administrative Agent to the applicable Swing Line Bank for application by the Swing Line Bank to the repayment of the Swing Line Advance. No Lender's obligation to fund its respective Pro Rata Percentage of a Swing Line Advance shall be affected by any other Lender's failure to fund its Pro Rata Percentage of a Swing Line Advance, nor shall any Lender's Pro Rata Percentage be increased as a result of any such failure of any other Lender to fund its Pro Rata Percentage of a Swing Line Advance.

(e) On each date a Swing Line Advance is made, each Lender shall be deemed to have purchased a risk participation in such Swing Line Advance from the applicable Swing Line Bank in an amount equal to such Lender's Pro Rata Percentage of such Swing Line Advance. If for any reason any Swing Line Advance cannot be refinanced with a Base Rate Advance pursuant to Section 2.03(d), upon request by a Swing Line Bank with an outstanding Swing Line Advance, and notwithstanding whether a Default or Event of Default shall have occurred and be continuing, each other Lender shall fund its risk participation in such Swing Line Advance by making available to the Administrative Agent for the account of such Swing Line Bank, by deposit to the Administrative Agent's account, in same day funds, an amount equal to its risk participation therein. If and to the extent that any Lender shall not have so made the amount of its risk participation in such Swing Line Advance available to the Administrative Agent, such Lender agrees to pay to the Administrative Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the applicable Swing Line Bank until the date such amount is paid to the Administrative Agent, at the Federal Funds Rate; provided, that if payment is not made within three (3) Business Days of demand, interest thereon shall accrue at the Base Rate plus the Applicable Percentage for Swing Line Advances for each day thereafter until paid. If such Lender shall pay to the Administrative Agent such amount for the account of the applicable Swing Line Bank, such amount so paid in respect of principal shall constitute a Swing Line Advance by such Lender for purposes of this Agreement, and the outstanding principal amount of the Swing Line Advance made by such Swing Line Bank shall be reduced by such amount.

(f) Any Swing Line Bank may and, if such Swing Line Bank is a Lender being replaced pursuant to Section 2.23(b), such Swing Line Bank shall, resign at any time by giving written notice thereof to the Administrative Agent, the Lenders and the Borrower, with any such resignation to become effective (i) if such Swing Line Bank is the Administrative Agent and the Administrative Agent has given notice of its resignation or has been removed in accordance with Section 8.08, on the Resignation Effective Date or Removal Effective Date, as applicable, (ii) if such Swing Line Bank is party to an Assignment and Acceptance whereby it intends to assign all of its Advances and Commitment to an Eligible Assignee pursuant to Section 2.23(b) or 7.05(b), on the effective date of such assignment or (iii) otherwise, on the later of (x) 30 days after delivery of such notice or (y) such date as agreed by such Swing Line Bank; provided that if such resigning

Swing Line Bank is the only remaining Swing Line Bank at the time of its resignation and there is no Administrative Agent, the Borrower shall have the right to appoint a successor Swing Line Bank, which shall be a Lender or an Eligible Assignee reasonably acceptable to the Required Lenders. If no successor Swing Line Bank shall have been so appointed by the Borrower, and shall have accepted such appointment, within 30 days after the retiring Swing Line Bank's giving of notice of resignation, then the retiring Swing Line Bank may, on behalf of the Borrower and the Lenders, appoint a successor Swing Line Bank, which shall be a Lender or an Eligible Assignee acceptable to the Borrower. Upon the acceptance of any appointment as a Swing Line Bank hereunder by a successor Swing Line Bank, such successor Swing Line Bank shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Swing Line Bank.

(g) Each Lender's obligation to make a Base Rate Advance pursuant to Section 2.03(d) or to purchase and fund risk participations in Swing Line Advances pursuant to Section 2.03(e) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the applicable Swing Line Bank, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of an Event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Base Rate Advances pursuant to Section 2.03(d) is subject to the conditions set forth in Section 3.02. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swing Line Advances, together with interest as provided herein.

Section 2.04 Letters of Credit.

(a) In addition to the LC Issuing Banks listed on Schedule 2.04, the Borrower may from time to time appoint one or more other Lenders (with the consent of any such Lender (which consent may be withheld in the sole discretion of such Lender) and the Administrative Agent (such consent not to be unreasonably withheld or delayed)) to act as an LC Issuing Bank hereunder. Any such appointment and the terms thereof shall be evidenced in a separate written agreement executed by the Borrower and the relevant LC Issuing Bank and acknowledged (to evidence its consent as to the identity of such LC Issuing Bank) by the Administrative Agent. The Administrative Agent shall give prompt notice of any such appointment to the other Lenders. Upon such appointment, if and for so long as such Lender shall have any obligation to issue any Letters of Credit hereunder or any Letter of Credit issued by such Lender shall remain outstanding, such Lender shall be deemed to be, and shall have all the rights and obligations of, an "LC Issuing Bank" under this Agreement.

(b) Subject to the terms and conditions hereof, each Letter of Credit shall be issued (or the stated maturity thereof extended or terms thereof modified or amended) on not less than one (1) Business Day's prior notice thereof by delivery of (x) a Request for Issuance to the Administrative Agent (which shall promptly distribute copies thereof to the Lenders) and the relevant LC Issuing Bank, and (y) if requested by such LC Issuing Bank, a letter of credit application or other standard form required by the relevant LC Issuing Bank to such LC Issuing Bank. Each Letter of Credit shall be issued in a form acceptable to the relevant LC Issuing Bank. Each Request for Issuance shall specify (i) the identity of the relevant LC Issuing Bank, (ii) the date (which shall be a Business Day) of issuance of such Letter of Credit (or the date of effectiveness of such extension, modification or amendment) and the stated expiry date thereof (which shall not be later than the earlier of (A) one year after the date of issuance of such Letter of Credit and (B) unless cash collateralized (in accordance with the procedures set forth in Section 2.25) in an amount equal to 102% of the LC Outstandings for such Letter of Credit prior to five (5) Business Days prior to the stated Termination Date for the applicable LC Issuing Bank, the fifth Business Day preceding such Termination Date); provided that a Letter of Credit may, upon the request of the Borrower, include a provision whereby such Letter of Credit

shall be renewed automatically for additional consecutive periods of one year or less (but not beyond the date specified in clause (B) above) unless the relevant LC Issuing Bank notifies the Borrower and the beneficiary thereof at least 30 days prior to the then-applicable expiration date that such Letter of Credit will not be renewed, (iii) the proposed stated amount of such Letter of Credit, (iv) the name and address of the beneficiary of such Letter of Credit and (v) a statement of drawing conditions applicable to such Letter of Credit, and if such Request for Issuance relates to an amendment or modification of a Letter of Credit, it shall be accompanied by the consent of the beneficiary of the Letter of Credit thereto. Each Request for Issuance shall be delivered by the Borrower no later than 11:00 A.M. on the Business Day immediately prior to the proposed date of issuance (or effectiveness) specified therein. Not later than 2:00 P.M. on the proposed date of issuance (or effectiveness) specified in such Request for Issuance, and upon fulfillment of the applicable conditions precedent and the other requirements set forth herein, the relevant LC Issuing Bank shall issue (or extend, amend or modify) such Letter of Credit and provide notice and a copy thereof to the Administrative Agent, which shall promptly furnish copies thereof to the Lenders; provided that the relevant LC Issuing Bank shall not issue or amend any Letter of Credit if such LC Issuing Bank has received notice from the Administrative Agent that the applicable conditions precedent have not been satisfied.

(c) No Letter of Credit shall be requested or issued hereunder if, after the issuance thereof, (i) the Outstanding Credits would exceed the aggregate Commitments, (ii) with respect to each Lender individually, the Outstanding Credits of such Lender would exceed such Lender's Commitment, (iii) the LC Outstandings would exceed $150,000,000, or (iv) the LC Outstandings for all Letters of Credit issued by such LC Issuing Bank would exceed the LC Commitment of such LC Issuing Bank.

(d) By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount or extending the expiration date thereof), and without any further action on the part of the applicable LC Issuing Bank or the Lenders, such LC Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such LC Issuing Bank, a participation in such Letter of Credit equal to such Lender's Pro Rata Percentage of the aggregate amount available to be drawn under such Letter of Credit. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute, unconditional and irrevocable and shall not be affected by any circumstance whatsoever, including any amendment, extension, reinstatement or renewal of any Letter of Credit or the occurrence and continuance of a Default or Event of Default or reduction or termination of the Commitments. Each Lender further acknowledges and agrees that its participation in each Letter of Credit will be automatically adjusted to reflect such Lender's Pro Rata Percentage of the aggregate amount available to be drawn under such Letter of Credit at each time such Lender's Commitment is amended pursuant to the operation of Section 2.05 or Section 2.06, or as a result of an assignment in accordance with Section 7.05 or otherwise pursuant to this Agreement.

(e) The Borrower hereby agrees to pay (through the proceeds of a Borrowing or otherwise) to the Administrative Agent for the account of each LC Issuing Bank and each participating Lender, if applicable, no later than (i) if the Borrower shall have received notice of such LC Issuing Bank's payment pursuant to any Letter of Credit issued by it (such payment, an "***LC Disbursement***") not later than 11:00 A.M. on the date of such payment, on such date, or (ii) if such notice has not been received by the Borrower prior to such time on such date, on the Business Day immediately following the day that the Borrower receives such notice (such date referred to in clause (i) or such Business Day referred to in clause (ii), the "***LC Reimbursement Due Date***"), a sum equal to the amount of the LC Disbursement plus interest on such amount from the date so paid by such LC Issuing Bank until repayment to such LC Issuing Bank in full at a fluctuating interest rate per annum equal to the interest rate applicable to Base Rate Advances plus, if any amount paid by such LC Issuing Bank under a Letter of Credit is not reimbursed by the Borrower on the LC Reimbursement Due Date, 2%, unless refinanced with an Advance.

(f) If any LC Issuing Bank shall not have been reimbursed in full for any LC Disbursement on the date payment is due from the Borrower pursuant to Section 2.04(e), such LC Issuing Bank shall give the Administrative Agent prompt notice thereof (an "***LC Payment Notice***") no later than 11:00 A.M. on the Business Day immediately succeeding such payment date (such date, the "***LC Notice Date***"). The Administrative Agent shall forward to each Lender no later than 1:00 P.M. on an LC Notice Date, the applicable LC Payment Notice. Each Lender severally agrees to fund its participation in the Reimbursement Obligation of the Borrower to such LC Issuing Bank by paying to the Administrative Agent for the account of such LC Issuing Bank an amount equal to such Lender's participation, plus interest, if applicable, on such amount at a rate per annum equal to the Federal Funds Rate from the LC Reimbursement Due Date to the date of payment to such LC Issuing Bank by such Lender. Each such payment by a Lender shall be made not later than 3:00 P.M. on the applicable LC Notice Date. Each Lender's obligation to make each such payment to the Administrative Agent for the account of such LC Issuing Bank shall be several and shall not be affected by the occurrence or continuance of a Default or the failure of any other Lender to make any payment under this Section 2.04(f). Each Lender further agrees that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(g) The failure of any Lender to make any payment to the Administrative Agent for the account of any LC Issuing Bank in accordance with paragraph (f) above shall not relieve any other Lender of its obligation to make payment, but no Lender shall be responsible for the failure of any other Lender.

(h) The payment obligations of each Lender under Section 2.04(f) and of the Borrower under this Agreement in respect of any payment under any Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any other agreement or instrument relating thereto or to such Letter of Credit;

(ii) any amendment or waiver of, or any consent to departure from, the terms of this Agreement or such Letter of Credit;

(iii) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary, or any transferee, of such Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), any LC Issuing Bank, or any other Person, whether in connection with this Agreement, the transactions contemplated hereby, thereby or by such Letter of Credit, or any unrelated transaction;

(iv) any statement or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment in good faith by any LC Issuing Bank under the Letter of Credit issued by such LC Issuing Bank against presentation of a draft or certificate that does not comply with the terms of such Letter of Credit;

(vi) the use that may be made of any Letter of Credit by, or any act or omission of, the beneficiary of any Letter of Credit (or any Person for which the beneficiary may be acting); or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

(i) Without limiting any other provision of this Section 2.04, for purposes of this Section 2.04, any LC Issuing Bank may rely upon any oral, telephonic, telegraphic, facsimile, electronic, written or other communication believed in good faith to have been authorized by the Borrower, whether or not given or signed by an authorized Person of the Borrower.

(j) The Borrower assumes all risks of the acts and omissions of any beneficiary or transferee of any Letter of Credit. Neither any LC Issuing Bank, the Lenders nor any of their respective Related Parties shall be liable or responsible for (i) the use that may be made of such Letter of Credit or any acts or omissions of any beneficiary or transferee thereof in connection therewith; (ii) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by any LC Issuing Bank against presentation of documents that do not comply with the terms of such Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; or (iv) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit, except that the Borrower and each Lender shall have the right to bring suit against each LC Issuing Bank, and each LC Issuing Bank shall be liable to the Borrower and any Lender, to the extent of any direct, as opposed to consequential, damages suffered by the Borrower or such Lender that the Borrower or such Lender proves were caused by such LC Issuing Bank's willful misconduct or gross negligence, including, in the case of the Borrower, such LC Issuing Bank's (x) failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof or (y) failure to make timely payment under such Letter of Credit following the presentation to it by the beneficiary thereof of a draft and accompanying certificate(s) that strictly comply with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, each LC Issuing Bank may accept sight drafts and accompanying certificates presented under the Letter of Credit issued by such LC Issuing Bank that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and payment against such documents shall not constitute willful misconduct or gross negligence by such LC Issuing Bank. Notwithstanding the foregoing, no Lender (in its capacity as a Lender) shall be obligated to indemnify the Borrower for damages caused by any LC Issuing Bank's willful misconduct or gross negligence.

(k) Notwithstanding anything to the contrary set forth herein, on the Closing Date, the Existing Letters of Credit shall be deemed to be "Letters of Credit" issued hereunder, resulting in Extensions of Credit on such date hereunder.

(l) Any LC Issuing Bank may and, if such LC Issuing Bank is a Lender being replaced pursuant to Section 2.23(b), such LC Issuing Bank shall, resign at any time by giving written notice thereof to the Administrative Agent, the Lenders and the Borrower, with any such resignation to become effective (i) if such LC Issuing Bank is the Administrative Agent and the Administrative Agent has given notice of its resignation or has been removed in accordance with Section 8.08, on the Resignation Effective Date or Removal Effective Date, as applicable, (ii) if such LC Issuing Bank is party to an Assignment and Acceptance whereby it intends to assign all of its Advances and Commitment to an Eligible Assignee pursuant to Section 2.23(b) or 7.05(b), on the effective date of such assignment or (iii) otherwise, on the later of (x) 30 days after delivery of such notice and (y) such date as agreed by such LC Issuing Bank; provided that if such resigning LC Issuing Bank is the only LC Issuing Bank at the time of its resignation and there is no Administrative Agent, the Borrower shall have the right to appoint a successor LC Issuing Bank, which shall be a Lender or an Eligible Assignee reasonably acceptable to the Required Lenders. If no successor LC Issuing Bank shall have been so appointed by the Borrower, and shall have accepted such appointment, within 30 days after the retiring LC Issuing Bank's giving of notice of resignation, then the retiring LC Issuing Bank may, on behalf of the Borrower and Lenders, appoint a successor LC Issuing Bank, which shall be a Lender or an Eligible Assignee acceptable to the Borrower. Except as provided in the immediately succeeding sentence,

upon the acceptance of any appointment as an LC Issuing Bank hereunder by a successor LC Issuing Bank, such successor LC Issuing Bank shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring LC Issuing Bank. Except as provided in Section 8.08(d) with respect to any LC Issuing Bank which is a resigning Administrative Agent, after the effective date of the resignation of an LC Issuing Bank hereunder, the retiring LC Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an LC Issuing Bank under this Agreement and the other Loan Documents with respect to Letters of Credit issued by it prior to such resignation, but shall no longer have an LC Commitment and shall not be required to issue additional Letters of Credit or to extend, renew or increase any existing Letter of Credit.

Section 2.05 Increase of the Commitments.

(a) After the Closing Date, the Borrower may on one or more occasions, by written notice to the Administrative Agent and executed by the Borrower and one or more financial institutions (any such financial institution referred to in this paragraph (a) being called a "***Designated Lender***"), which may include, in the Borrower's sole discretion, any Lender, cause new Commitments to be extended by the Designated Lenders (or cause the Commitments of the Designated Lenders to be increased, as the case may be); provided that (i) at no time shall the aggregate amount of all extensions of new Commitments and increases in existing Commitments effected pursuant to this paragraph (a) exceed $500,000,000, (ii) each such requested increase shall be in a minimum principal amount of $50,000,000, (iii) each Designated Lender shall (A) be subject to the approval of the Administrative Agent, each LC Issuing Bank and each Swing Line Bank (which approval shall not be unreasonably withheld or delayed) and (B) if not an existing Lender, execute all such documentation as the Administrative Agent shall reasonably specify to evidence the Commitment or Commitments of such Designated Lender and/or its status as a Lender hereunder, and (iv) immediately prior to and immediately after giving effect to such proposed increase, no Default or Event of Default shall have occurred and be continuing. Extensions of new Commitments and increases in existing Commitments pursuant to this paragraph (a) shall become effective on the date specified in the applicable notice delivered by the Borrower. The Borrower shall deliver (i) a certificate signed by a duly authorized officer of the Borrower to the Administrative Agent, dated as of the effective date of such additional Commitments, stating that all representations and warranties of the Borrower set forth in Article IV (other than the representations and warranties set forth in Sections 4.04 and 4.05(b)) (with all references in such Article to a Borrowing or Swing Line Borrowing being deemed to be references to the increase of the Commitments) are true in all material respects as if made on and as of such effective date (other than with respect to any representation and warranty that expressly relates to an earlier date, in which case such representation and warranty shall be true in all material respects as of such earlier date, and except for any representation and warranty that is qualified by materiality or reference to Material Adverse Change, in which case such representation and warranty shall be true in all respects as of such earlier date), (ii) evidence of appropriate corporate authorization on the part of the Borrower with respect to the increase in the Commitments and (iii) if requested by a Designated Lender, such opinions of counsel for the Borrower with respect to the increase in the Commitments as the Administrative Agent may reasonably request. Any Lender or any other financial institution offered or approached to provide all or a portion of any increase in the Commitment pursuant to this paragraph (a) may elect or decline, in its sole discretion, to provide such Commitment.

(b) The Outstanding Credits will be reallocated on the effective date of such increase among the Lenders in accordance with their revised Pro Rata Shares (and, with respect to any outstanding Advances, the Lenders agree to make all payments and adjustments necessary to effect the reallocation and the Borrower shall pay any and all costs required pursuant to Section 2.13 in connection with such reallocation as if such reallocation were a repayment). Prepayments made under this paragraph (b) shall not be subject to the notice or minimum amount requirements of Section 2.12.

(c) Promptly following the effective date of any Commitment increase pursuant to this Section 2.05, the Administrative Agent shall distribute an amended Schedule I to this Agreement (which shall thereafter be incorporated into this Agreement) to reflect any changes in Lenders, the Commitments and each Lender's Pro Rata Percentage as of such effective date.

Section 2.06 Maturity of Advances; Extension and Termination of Commitment.

(a) Each outstanding Advance (other than Swing Line Advances) shall mature, and the principal amount thereof shall be due and payable in full, and the Commitments and the Swing Line Commitments shall terminate, on the Termination Date. Each Swing Line Advance shall mature, and the principal amount thereof shall be due and payable in full, on the earlier to occur of (i) the fourteenth (14th) Business Day after the date the Swing Line Advance is made and (ii) the Termination Date.

(b) The Borrower may request up to two one-year extensions of the Termination Date in effect on the date of any such request (the "***Current Termination Date***") (notice of the exercise of which shall be given by the Borrower to the Administrative Agent in writing at least 30 days prior to any anniversary of the Closing Date). Upon the delivery of such a written request by an authorized officer of the Borrower (an "***Extension Request***"), the Administrative Agent promptly shall deliver a copy of such Extension Request to each of the Lenders. Each Lender, acting in its sole discretion, shall by notice made in writing and delivered to the Administrative Agent on a Business Day not more than 30 days following the date of such Extension Request, advise the Administrative Agent whether such Lender agrees to such extension (each Lender agreeing to an Extension Request within such timeframe being referred to herein as an "***Extending Lender***", and each Lender declining to agree to an Extension Request within such timeframe being referred to herein as a "***Non-Extending Lender***"). Any Lender which has not provided written notice to the Administrative Agent indicating whether such Lender agrees to the requested Extension Request prior to the 30th day following the date of such Extension Request shall be deemed to be a Non-Extending Lender. The election of any Lender to agree to such extension shall not obligate any other Lender to agree.

(c) If Lenders constituting the Required Lenders shall not have agreed to the Extension Request on or prior to the 30th day following the date of such Extension Request, then the Current Termination Date shall not be so extended, the principal amount of all Advances and all other amounts payable under this Agreement shall be payable in full and the Commitment shall terminate on the Current Termination Date.

(d) If Lenders constituting the Required Lenders shall have agreed to the Extension Request on or prior to the 30th day following the date of such Extension Request (such date, the "***Extension Date***"), then the Termination Date applicable to Extending Lenders shall be extended to be the day that is one year after the Current Termination Date; provided, that the Termination Date shall in no event extend beyond the fifth anniversary of the Extension Date. In the event of such extension, (w) the Commitments of each Non-Extending Lender shall terminate on the Current Termination Date, (x) the principal amount of all Advances and other amounts payable to each Non-Extending Lender under this Agreement shall be payable in full on the Current Termination Date, (y) the Lenders' aggregate Commitment shall be reduced by the amount of the Commitment of each Non-Extending Lender unless such Non-Extending Lender is replaced pursuant to paragraph (e) below and (z) the outstanding Reimbursement Obligations will be reallocated on the Current Termination Date among the Extending Lenders in accordance with their revised Pro Rata Shares (and the Lenders agree to make all payments and adjustments necessary to effect the reallocation). Prepayments made under this paragraph (d) shall not be subject to the notice or minimum amount requirements of Section 2.12.

(e) In the event that the Termination Date is extended under paragraph (d) above, the Borrower shall have the right, on or before the Current Termination Date, at the Borrower's sole expense and effort, to require any Non-Extending Lender to assign to one or more Eligible Assignees all of its rights and

obligations under this Agreement; provided, that such assignment shall be in accordance with, and subject to the requirements and restrictions contained in Section 7.05.

(f) Notwithstanding any of the foregoing provisions of this Section 2.06, no extension of the Termination Date shall become effective for any Lender unless, on the Extension Date, (i) the conditions set forth in Sections 3.02(b) and 3.02(c) (with all references in such Sections to a Borrowing or Swing Line Borrowing being deemed to be references to the extension of the Termination Date) shall be satisfied, and the Administrative Agent shall have received a certificate to that effect, dated the Extension Date and executed on behalf of the Borrower by a Responsible Officer of the Borrower, and (ii) the Administrative Agent shall have received copies (certified to be true and complete by a Responsible Officer of the Borrower) of all governmental approvals (if any) required for each of the Borrower and the Parent in connection with such extension.

Section 2.07 Evidence of Advances.

(a) Each Lender shall maintain an account or accounts evidencing each Advance made by such Lender to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement. Each Lender will make reasonable efforts to maintain the accuracy of its account or accounts, and to update promptly its account or accounts from time to time, as necessary.

(b) The Administrative Agent shall maintain the Register pursuant to Section 7.05(c) and a subaccount for each Lender, in which Register and subaccounts (taken together) shall be recorded (i) the date, amount and Interest Period, if applicable, of each Advance, and whether such Advance is a Base Rate Advance, a Eurodollar Rate Advance or a Swing Line Advance, (ii) the amount of any principal or interest due and payable or to become due and payable to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from or for the account of the Borrower and each Lender's percentage share thereof. The Administrative Agent will make reasonable efforts to maintain the accuracy of the subaccounts referred to in the preceding sentence and to update promptly such subaccounts from time to time, as necessary.

(c) The entries made in the Register and subaccounts maintained pursuant to Section 2.07(b), and the account or accounts maintained by the Lenders pursuant to Section 2.07(a) to the extent permitted by applicable law shall be prima facie evidence of the existence and amounts of such obligations of the Borrower therein recorded and shall be conclusive absent manifest error. The failure of the Administrative Agent or any Lender to maintain any such Register, subaccount or account, as applicable, or any error therein, shall not in any manner affect the obligations of the Borrower to repay the Advances in accordance with the terms thereof. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(d) Upon the request of any Lender, which request shall be made through the Administrative Agent to the Borrower, the Borrower shall deliver to such Lender a duly executed Note in the form of Exhibit D.

Section 2.08 Interest Rates.

(a) The Borrower shall pay interest on the unpaid principal amount of each Advance from and including the date of such Advance to but excluding the date such Advance shall be paid in full (provided, that if the principal amount of any Advance is borrowed and repaid on the same day, the Borrower shall pay

interest on such principal amount at the applicable interest rate for such day), at the following rates per annum:

(i) if such Advance is a Base Rate Advance, a variable rate per annum equal at all times to the Base Rate in effect from time to time plus the Applicable Percentage, payable quarterly in arrears on each Payment Date while such Base Rate Advance is outstanding, on the date of each prepayment to the extent required by Section 2.11(a) or 2.12, as applicable, and on the date such Base Rate Advance shall be Converted or paid in full;

(ii) if such Advance is a Eurodollar Rate Advance, a fixed rate per annum during each Interest Period for such Eurodollar Rate Advance equal to the Eurodollar Rate for such Interest Period plus the Applicable Percentage, payable on the last day of the Interest Period (and, in the case of any Interest Period of more than three months' duration, on each day that occurs during such Interest Period every three months after the first day of such Interest Period), on the date of each prepayment to the extent required by Section 2.11(a) or 2.12, as applicable, and on the date such Eurodollar Rate Advance shall be Converted or paid in full; and

(iii) if such Advance is a Swing Line Advance, at the election of the Borrower, a variable rate per annum equal to (A) the LIBOR Market Index Rate plus the Applicable Percentage for Eurodollar Rate Advances or (B) the Base Rate in effect from time to time plus the Applicable Percentage for Base Rate Advances, in each case, payable quarterly in arrears on each Payment Date while such Swing Line Advance is outstanding, on the date of each prepayment to the extent required by Section 2.11(b) or 2.12, as applicable, and on the date such Swing Line Advance shall be paid in full.

(b) Subject to Section 7.02, (i) immediately upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), 6.01(g) or 6.01(h) (in the case of Section 6.01(g) and 6.01(h), with respect to the Borrower and the Parent only), or (ii) at the election of the Required Lenders, upon the occurrence and during the continuance of any other Event of Default, (A) all outstanding Eurodollar Rate Advances shall bear interest at a rate per annum of two percent (2%) in excess of the rate (including the Applicable Percentage) then applicable to Eurodollar Rate Advances until the end of the applicable Interest Period and thereafter at a rate equal to two percent (2%) in excess of the rate (including the Applicable Percentage) then applicable to Base Rate Advances, (B) all outstanding Base Rate Advances and other Obligations shall bear interest at a rate per annum equal to two percent (2%) in excess of the rate (including the Applicable Percentage) then applicable to Base Rate Advances or such other Obligations and (C) all accrued and unpaid interest shall be due and payable on demand of the Administrative Agent. Interest shall continue to accrue on the Obligations after the filing by the Borrower (as to itself) or against the Borrower (as a debtor) of any petition seeking any relief in bankruptcy or under any act or law pertaining to insolvency or debtor relief, whether state, federal or foreign.

(c) Upon the request of the Borrower, the Administrative Agent shall provide the Borrower with evidence of the amount of the Eurodollar Rate Reserve Percentage currently in effect.

Section 2.09 Fees.

(a) Except as set forth in Section 2.24, the Borrower shall pay the Administrative Agent, for the ratable benefit of the Lenders, a facility fee (the "***Facility Fee***") equal to the product of (i) the daily amount of the Commitments (regardless of usage), multiplied by (ii) a per annum percentage equal to the Applicable Percentage in effect from time to time. The Facility Fee shall accrue from and including the Closing Date to but excluding the Termination Date and shall be payable in arrears on each Payment Date. Subject to

Section 2.24(a)(iii), the Administrative Agent shall, promptly following its receipt thereof, distribute to each Lender all Facility Fees received pursuant to this Section 2.09(a) in accordance with their respective Pro Rata Percentages.

(b) Except as set forth in Section 2.24, the Borrower shall pay to the Administrative Agent for the account of each Lender a fee (the "***LC Fee***") with respect to each Letter of Credit in the amount equal to the daily amount available to be drawn under such Letter of Credit multiplied by the Applicable Percentage with respect to Eurodollar Rate Advances (determined on a per annum basis), payable in arrears on each Payment Date. Subject to Section 2.24(a)(iii), the Administrative Agent shall, promptly following its receipt thereof, distribute to each Lender all LC Fees received pursuant to this Section 2.09(b) in accordance with their respective Pro Rata Percentages.

(c) The Borrower shall pay to each LC Issuing Bank such normal and customary costs and expenses as are incurred or charged by such LC Issuing Bank in issuing, effecting payment under, amending or otherwise administering any letter of credit as may be separately agreed between the Borrower and such LC Issuing Bank.

(d) In addition to the fees provided for in paragraphs (a) through (c) above, the Borrower shall pay to the Administrative Agent, for the account of the Administrative Agent and the Joint Lead Arrangers, and to each LC Issuing Bank party thereto such other fees as are provided for in the Fee Letters.

Section 2.10 Termination or Reduction of Commitment.

(a) The Borrower may, upon at least three (3) Business Days' notice to the Lenders, terminate at any time, or reduce from time to time, in each case without premium or penalty, by an aggregate amount of at least $5,000,000 (and integrals of $1,000,000 in excess thereof), the Commitment, the LC Commitment or the Swing Line Commitment. If, after giving effect to any reduction of the Commitment, the aggregate LC Commitment, any LC Issuing Bank's LC Commitment, or any Swing Line Commitment exceeds the amount of the Commitment, such aggregate LC Commitment, LC Issuing Bank's LC Commitment, or Swing Line Commitment shall be automatically reduced by the amount of such excess.

(b) All accrued Facility Fees (as provided under Section 2.09) on the Commitment (in the case of a termination of the Commitment) or on the portion of the Commitment being reduced (in the case of a reduction of the Commitment) under this Section 2.10 shall be payable on the effective date of such reduction or termination.

(c) The Borrower hereby agrees to repay the outstanding principal amount of (i) all Advances in full on the Termination Date, (ii) all Swing Line Advances in accordance with Section 2.03(c)(iv) (but, in any event, no later than the Termination Date) and (iii) all other Obligations in full on the Termination Date, together with, in each case, without duplication, all accrued but unpaid interest thereon in accordance with this Agreement.

Section 2.11 Mandatory Prepayments.

(a) On each date on which the Commitment is reduced pursuant to Section 2.10, the Borrower shall repay or prepay such principal amount of the outstanding Advances, if any (together with accrued interest thereon to the date of prepayment and any compensation payable pursuant to Section 2.13), and/or deposit funds in the Cash Collateral Account (in accordance with the procedures set forth in Section 2.25) in respect of undrawn Letters of Credit outstanding on such date, as may be necessary so that after such

payment and/or deposit, the Outstanding Credits do not exceed the amount of the Commitment as then reduced.

(b) On each date on which the Swing Line Commitments are reduced pursuant to Section 2.10, the Borrower shall repay or prepay such principal amount of the outstanding Swing Line Advances, if any (together with accrued interest thereon to the date of prepayment), as may be necessary so that after such payment the aggregate unpaid principal amount of Swing Line Advances does not exceed the amount of the Swing Line Commitments as then reduced.

(c) On each date on which the LC Commitments are reduced pursuant to Section 2.10, the Borrower shall provide Cash Collateral (in accordance with the procedures set forth in Section 2.25) for each LC Issuing Bank in an amount equal to the amount by which the LC Outstandings for all Letters of Credit issued by such LC Issuing Bank exceeds the LC Commitment of such LC Issuing Bank as then reduced, if any.

Section 2.12 Optional Prepayments. The Borrower may, upon notice delivered to the Administrative Agent not later than 11:00 A.M. (a) on the date of prepayment in the case of any Base Rate Advance or Swing Line Advance, and (b) at least three (3) Business Days prior to such date in the case of any Eurodollar Rate Advance, prepay any such Advance, without premium or penalty, in whole at any time, or from time to time in part in amounts aggregating at least $5,000,000 (and integrals of $1,000,000 in excess thereof) by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment and any compensation payable pursuant to Section 2.13.

Section 2.13 Compensation after Prepayment or Conversion. The Borrower shall, upon the demand of any Lender, pay to such Lender any amounts which are required to compensate such Lender for any losses (excluding losses of anticipated profits), costs or expenses incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain any Eurodollar Rate Advance, or from fees payable to terminate the deposits from which such funds were obtained, which may arise as a result of the optional or mandatory prepayment or Conversion of any Eurodollar Rate Advance, on any date other than the last day of the applicable Interest Period, or the failure to prepay any Advance on the date of prepayment specified in any notice of prepayment, except if arising in connection with a Lender becoming a Defaulting Lender and the replacement of such Lender pursuant to Section 2.23(b) or the termination of the Commitment of such Lender pursuant to Section 2.24(d). The amount of such loss or expense shall be determined, in the applicable Lender's sole discretion, based upon the assumption that such Lender funded its Pro Rata Share of the Eurodollar Rate Advances in the London interbank market and using any reasonable attribution or averaging methods which such Lender deems appropriate and practical. A certificate of such Lender setting forth in reasonable detail the basis for determining such amount or amounts necessary to compensate such Lender delivered by such Lender to the Administrative Agent no later than twelve (12) months after the event giving rise to the claim for compensation (except that, if the Change in Law giving rise to such claim is retroactive, then the twelve-month period referred to above shall be extended to include the period of retroactive effect thereof) shall be promptly forwarded to the Borrower through the Administrative Agent and shall be conclusively presumed to be correct save for manifest error. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall (unless the subject of a good faith dispute by the Borrower) be payable within fifteen (15) days after demand and receipt by the Borrower of such written statement, unless such Lender shall have failed to timely give notice of such claim for compensation as provided herein, in which event the Borrower shall not have any obligation to pay such claim.

Section 2.14 General Provisions as to Payments.

(a) The Borrower shall make each payment of principal of, and interest on, the Advances, the LC Fee and the Facility Fees hereunder in Dollars not later than 1:00 P.M. on the date when due in federal or other funds immediately available without setoff or counterclaim to the Administrative Agent for the account of each Lender at its Lending Office. Upon receipt by the Administrative Agent of each such payment, the Administrative Agent shall distribute to each Lender, at its Lending Office, its Pro Rata Share of such payment, including each Lender's Pro Rata Share of Swing Line Advances purchased by such Lender in accordance with Section 2.03(d). If and to the extent that the Administrative Agent shall not have so distributed to any Lender, at its Lending Office, its Pro Rata Share of such payment, the Administrative Agent agrees to pay to such Lender forthwith on demand such amount together with interest thereon, for each day from the date of demand by such Lender until the date such amount is paid to such Lender, at the Federal Funds Rate.

(b) Subject to the qualifications set forth in the definition of "Interest Period", whenever any payment of principal of, or interest on, the Advances or of Facility Fees or the LC Fee payable hereunder shall be due on a day that is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

Section 2.15 Computation of Interest and Fees. All computations of interest for Base Rate Advances and Swing Line Advances determined by reference to the Base Rate, in each case when the Base Rate is determined by the Prime Rate shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest provided hereunder shall be made on the basis of a 360-day year and actual days elapsed.

Section 2.16 Compensation, Additional Interest.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the Eurodollar Rate), any Swing Line Bank or any LC Issuing Bank;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of "Excluded Taxes" and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender, any Swing Line Bank or any LC Issuing Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Advances made by such Lender, Swing Line Bank or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender, Swing Line Bank or such other Recipient of making, Converting to, Continuing or maintaining any Advance or of maintaining its obligation to make any such Advance, or to increase the cost to such Lender, such Swing Line Bank, such LC Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender, Swing Line Bank, LC Issuing Bank or other Recipient hereunder with respect to such Advance or Letter of Credit (whether of principal, interest or any other amount) then,

upon request of such Lender, Swing Line Bank, LC Issuing Bank or other Recipient, the Borrower will pay to such Lender, Swing Line Bank, LC Issuing Bank or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, Swing Line Bank, LC Issuing Bank or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender, Swing Line Bank or LC Issuing Bank determines that any Change in Law affecting such Lender, Swing Line Bank, or LC Issuing Bank or any lending office of such Lender, such Swing Line Bank or such Lender's, Swing Line Bank's or LC Issuing Bank's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's, Swing Line Bank's or LC Issuing Bank's capital or on the capital of such Lender's, Swing Line Bank's or LC Issuing Bank's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender, the Swing Line Commitments of such Swing Line Bank or the Advances made by, or participations in Letters of Credit or Swing Line Advance held by, such Lender, or the Letters of Credit issued by any LC Issuing Bank, to a level below that which such Lender, Swing Line Bank or LC Issuing Bank or such Lender's, Swing Line Bank's or LC Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's, Swing Line Bank's or LC Issuing Bank's policies and the policies of such Lender's, Swing Line Bank's or LC Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender, Swing Line Bank or LC Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender, Swing Line Bank or LC Issuing Bank or such Lender's, Swing Line Bank's or LC Issuing Bank's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender, Swing Line Bank, LC Issuing Bank or other Recipient setting forth in reasonable detail the basis, method and calculations upon which such Lender, Swing Line Bank, LC Issuing Bank or other Recipient determined the amount or amounts necessary to compensate such Lender, Swing Line Bank, LC Issuing Bank, other Recipient or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the Borrower, shall be conclusive absent manifest error. The Borrower shall pay such Lender, Swing Line Bank or LC Issuing Bank, as the case may be, the amount shown as due on any such certificate within 15 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender, Swing Line Bank, LC Issuing Bank or other Recipient to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's, Swing Line Bank's, LC Issuing Bank's or other Recipient's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender, Swing Line Bank, LC Issuing Bank or other Recipient pursuant to this Section for any increased costs incurred or reductions suffered more than four (4) months prior to the date that such Person notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of such Person's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the four-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Subject to the requirements of Section 7.05(e), the provisions of this Section 2.16 shall be applicable with respect to any Participant or Assignee, and any calculations required by such provisions shall be based upon the circumstances of such Participant or Assignee.

Section 2.17 Taxes.

(a) Defined Terms. For purposes of this Section 2.17, the term "Lender" includes any LC Issuing Bank and the term "applicable law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Borrower. The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Borrower. The Borrower shall indemnify each Recipient, within 15 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate (together with a copy of the applicable documents from the Governmental Authority imposing such Indemnified Taxes) as to the amount of such payment or liability and setting forth in reasonable detail the basis for such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 7.05(e) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section 2.17, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative

Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 2.17(g)(ii)(A), 2.17(g)(ii)(B) and 2.17(g)(ii)(D)) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing:

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed copies of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit F-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "***U.S. Tax Compliance Certificate***") and (y) executed copies of IRS Form W-8BEN-E; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-2 or Exhibit F-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership

and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the Closing Date.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including by the payment of additional amounts pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make

available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 2.17 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, Swing Line Bank or LC Issuing Bank, the termination of the Commitments, Swing Line Commitments and LC Commitments, and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Section 2.18 Changed Circumstances.

(a) Circumstances Affecting LIBOR Rate Availability. In connection with any request for a Eurodollar Rate Advance, a LIBOR Market Index Rate Advance or a Base Rate Advance as to which the interest rate is determined with reference to the LIBOR Market Index Rate or a Conversion to or Continuation thereof, if for any reason (i) the Administrative Agent shall determine (which determination shall be conclusive and binding absent manifest error) that Dollar deposits are not being offered to banks in the London interbank market for the applicable amount and Interest Period of such Advance, (ii) the Administrative Agent shall determine (which determination shall be conclusive and binding absent manifest error) that any of the means set forth in the definition of "LIBOR" or "LIBOR Market Index Rate" do not exist for ascertaining the Eurodollar Rate for such Interest Period with respect to a proposed Eurodollar Rate Advance, any LIBOR Market Index Rate Advance or any Base Rate Advance as to which the interest rate is determined with reference to the LIBOR Market Index Rate or (iii) the Required Lenders shall determine (which determination shall be conclusive and binding absent manifest error) that the Eurodollar Rate does not adequately and fairly reflect the cost to such Lenders of making or maintaining such Advances during such Interest Period, or the LIBOR Market Index Rate does not adequately and fairly reflect the cost to such Lenders or Swing Line Banks, as applicable, of making or maintaining such Advances, then the Administrative Agent shall promptly give notice thereof to the Borrower. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, the obligation of the Lenders to make Eurodollar Rate Advances, LIBOR Market Index Rate Advances or Base Rate Advances as to which the interest rate is determined with reference to the LIBOR Market Index Rate and the right of the Borrower to Convert any Advance to or Continue any Advance as a Eurodollar Rate Advance, LIBOR Market Index Rate Advance or a Base Rate Advance as to which the interest rate is determined with reference to the LIBOR Market Index Rate shall be suspended, and the Borrower shall either (i) without regard to notice or minimum amount requirements set forth in Section 2.12, repay in full (or cause to be repaid in full) the then outstanding principal amount of each such Advance together with accrued interest thereon (subject to Section 2.15), on the last day of the then current Interest Period applicable to such Advance; or (ii) Convert the then outstanding principal amount of each such Advance to a Base Rate Advance as to which the interest rate is not determined by reference to the LIBOR Market Index Rate as of the last day of such Interest Period.

(b) Laws Affecting LIBOR Rate Availability. If any Change in Law shall make it unlawful or impossible, or any Governmental Authority has asserted that it is unlawful, for any of the Lenders (or any of their respective Lending Offices) to honor its obligations hereunder to make or maintain any Eurodollar Rate Advance, any LIBOR Market Index Rate Advance or any Base Rate Advance as to which the interest rate is determined by reference to the LIBOR Market Index Rate (such Lenders so affected, the "***Affected Lenders***"), or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or take deposits of, Dollars in the London interbank market, then such Affected Lenders shall promptly give notice thereof to the Administrative Agent and the Administrative Agent shall promptly give notice to the Borrower and the other Lenders. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, (i) the obligations of the Affected Lenders to make their respective portions of Eurodollar Rate Advances, LIBOR Market Index Rate Advances or Base Rate Advances as to which the interest rate is determined by reference to the LIBOR Market Index Rate, and the right of

the Borrower to Convert such Affected Lenders' portion of any Advance to a Eurodollar Rate Advance or Continue such Affected Lenders' portion of any Advance as a Eurodollar Rate Advance, LIBOR Market Index Rate Advance or a Base Rate Advance as to which the interest rate is determined by reference to the LIBOR Market Index Rate shall be suspended and thereafter the Borrower may select only Base Rate Advances as to which the interest rate is not determined by reference to the LIBOR Market Index Rate hereunder with respect to such Affected Lenders' portion of any Advances, (ii) such Affected Lenders' portion of all Base Rate Advances shall cease to be determined by reference to the LIBOR Market Index Rate and (iii) if such Affected Lenders may not lawfully continue to maintain a Eurodollar Rate Advance or a LIBOR Market Index Rate Advance to the end of the then current Interest Period applicable thereto, such Affected Lenders' portion of the applicable Advance shall immediately be Converted to a Base Rate Advance as to which the interest rate is not determined by reference to the LIBOR Market Index Rate for the remainder of such Interest Period.

(c) Successor LIBOR. Notwithstanding anything to the contrary in this Agreement or any other Loan Documents (including Section 7.04), if the Administrative Agent determines (which determination shall be conclusive absent manifest error), that:

(i) any of the means set forth in the definition of "LIBOR" or "LIBOR Market Index Rate" do not exist for ascertaining the Eurodollar Rate for such Interest Period with respect to a proposed Eurodollar Rate Advance, any LIBOR Market Index Rate Advance or any Base Rate Advance as to which the interest rate is determined with reference to the LIBOR Market Index Rate and such circumstances are unlikely to be temporary; or

(ii) the administrator of LIBOR or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which LIBOR shall no longer be made available or used for determining interest rates for loans; or

(iii) LIBOR is no longer a widely recognized benchmark rate for newly originated loans in the U.S. syndicated loan market;

then the Administrative Agent may, to the extent practicable (with the consent of the Borrower and as reasonably determined by the Administrative Agent to be generally in accordance with similar situations in other transactions in which it is serving as administrative agent), establish a replacement interest rate (the "***Replacement Rate***"), and shall deliver notice of the Replacement Rate to the Lenders, in which case the Replacement Rate shall, subject to the next two sentences, replace LIBOR for all purposes under the Loans Documents unless and until (A) an event described in Section 2.18(a)(i) or (a)(ii) occurs with respect to the Replacement Rate or (B) the Administrative Agent (or the Required Lenders through the Administrative Agent) notifies the Borrower that the Replacement Rate does not adequately and fairly reflect the cost to the Lenders of funding the Advances bearing interest at the Replacement Rate. To the extent the Replacement Rate is approved by the Administrative Agent and consented to by the Borrower in connection with this Section 2.18 (c), the Replacement Rate shall be applied in a manner consistent with market practice; provided that, in each case, to the extent such market practice is not administratively feasible for the Administrative Agent, such Replacement Rate shall be applied as otherwise reasonably determined by the Administrative Agent (it being understood that any such modification by the Administrative Agent shall not require the consent of, or consultation with, any of the Lenders). In connection with the establishment and application of the Replacement Rate, the Loan Documents shall be amended by the Administrative Agent and the Borrower, as may be necessary or appropriate to effect the provisions of this Section 2.18(c) so long as the Administrative Agent shall not have received, within five Business Days of the date notice of such Replacement Rate is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment. Notwithstanding anything else herein, any definition of a

Replacement Rate shall provide that in no event shall such Replacement Rate be less than zero for purposes of this Agreement.

Section 2.19 Conversion of Advances.

(a) The Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 11:00 A.M. on the third Business Day prior to the date of any proposed Conversion into or Continuation as Eurodollar Rate Advances and on the Business Day of any proposed Conversion into Base Rate Advances subject to the provisions of Section 2.18, Convert all Advances of one Type into Advances of another Type or Types or Continue Advances of the same Type having the same or a new Interest Period; provided that no Advance shall be Converted to or Continued as a Eurodollar Rate Advance if any Event of Default shall have occurred and be continuing. Each such notice of a Conversion or Continuation shall, within the restrictions specified above, specify (i) the date of such Conversion or Continuation, (ii) the Advances to be Converted or Continued and (iii) with respect to any Continuation, or if such Conversion is into, or with respect to Eurodollar Rate Advances, the duration of the Interest Period for each such Advance.

(b) If the Borrower shall fail to select the Type of any Advance or the duration of any Interest Period for any Eurodollar Rate Advance in accordance with the provisions contained in the definition of "Interest Period" and Section 2.19(a) or if any proposed Conversion of an Advance to a Eurodollar Rate Advance upon Conversion shall not occur as a result of the circumstances described in Section 2.18 or 2.19(c), such Advance will automatically, on the last day of the then-existing Interest Period therefor, Convert into a Base Rate Advance.

(c) Each notice of Conversion or Continuation given pursuant to Section 2.19(a) shall be irrevocable and binding on the Borrower. In the case of any Advance that is to be Converted to a Eurodollar Rate Advance, the Borrower shall indemnify the Lenders against any loss, cost or expense incurred by the Lenders as a result of any failure to fulfill on the date specified for such Conversion the applicable conditions set forth in Article III, including any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund such Eurodollar Rate Advance, upon such Conversion, when such Conversion, as a result of such failure, does not occur. The Borrower's obligations under this paragraph (c) shall survive the repayment of all other amounts owing to the Lenders under this Agreement and the other Loan Documents and the termination of the Commitment.

(d) References in this Section 2.19 to "Advances" and "Types of Advances" shall not include the Swing Line Advances.

Section 2.20 Set off. Each Lender, Swing Line Bank and LC Issuing Bank may at any time upon or after the occurrence and during the continuance of an Event of Default, and without notice to the Borrower, set-off against the Obligations of the Borrower under this Agreement the whole or any portion or portions of any or all deposits and other sums credited by or due from such Lender, Swing Line Bank or LC Issuing Bank to the Borrower or subject to withdrawal by the Borrower, whether or not any other Person or Persons could also withdraw money therefrom; provided that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.24 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the LC Issuing Banks, the Swing Line Banks and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the obligations owing to such Defaulting Lender pursuant to this Agreement as to which it exercised such right of setoff. The rights of each Lender, Swing Line Bank and LC Issuing Bank under this Section are in addition

to other rights and remedies (including other rights of setoff) that such Lender or LC Issuing Bank may have in law or in equity. Each Lender, Swing Line Bank and LC Issuing Bank agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 2.21 Pro Rata Treatment. Except to the extent otherwise provided herein:

(a) Each payment or prepayment of principal of any Advance, and each payment of interest on the Advances, shall be allocated first, to the payment or prepayment of principal of, or interest on, the Swing Line Advances (x) initially, if such payment is to satisfy the requirements of Section 2.03(c)(iv), to the applicable Swing Line Bank in accordance with Section 2.03(c)(iv) and (y) then, pro rata among the Swing Line Banks in accordance with the respective principal amounts of their outstanding Swing Line Advances; and second, pro rata among the Lenders in accordance with the respective principal amounts of their outstanding Advances. Each payment of the Facility Fee and the LC Fee, each reduction of the Commitments and each Conversion or extension of any Advance shall be allocated pro rata among the Lenders in accordance with their Pro Rata Percentages.

(b) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a Borrowing that such Lender will not make the amount that would constitute its Pro Rata Share of such Borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate reasonably determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to the Advances made in connection with such Borrowing. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Advance included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(c) The obligations of the Lenders under this Agreement to make Advances and issue or participate in Letters of Credit are several and are not joint or joint and several. The failure of any Lender to make available its Pro Rata Share of any Advance requested by the Borrower shall not relieve it or any other Lender of its obligation, if any, hereunder to make its Pro Rata Share of such Advance available on the borrowing date, but no Lender shall be responsible for the failure of any other Lender to make its Pro Rata Share of such Advance available on the borrowing date.

Section 2.22 Sharing of Payments. The Lenders agree among themselves that, in the event that any Lender shall obtain payment in respect of any Advance or any other obligation owing to such Lender under this Agreement through the exercise of a right of set-off, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, in excess of its Pro Rata Share of such payment as

provided for in this Agreement, such Lender shall promptly purchase from the other Lenders a Participation Interest in such Advances and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Agreement. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of set-off, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by repurchase of a Participation Interest theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. The Borrower agrees that any Lender so purchasing such a Participation Interest may, to the fullest extent permitted by law, exercise all rights of payment, including set-off, banker's lien or counterclaim, with respect to such Participation Interest as fully as if such Lender were a holder of such Advance or other obligation in the amount of such Participation Interest. Except as otherwise expressly provided in this Agreement, if any Lender or the Administrative Agent shall fail to remit to the Administrative Agent or any other Lender an amount payable by such Lender or the Administrative Agent to the Administrative Agent or such other Lender pursuant to this Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Administrative Agent or such other Lender at a rate per annum equal to the Federal Funds Rate. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a set-off to which this Section 2.22 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 2.22 to share in the benefits of any recovery on such secured claim. The provisions of this Section 2.22 shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), (B) the application of Cash Collateral provided for in Section 2.25 or (C) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Advances or participations in Swing Line Advances and Letters of Credit to any assignee or participant.

Section 2.23 Mitigation of Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 2.16, or requires the Borrower to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or any Lender delivers notice pursuant to Section 2.18(b), then such Lender shall (at the request of the Borrower) use reasonable efforts to designate a different lending office for funding or booking its Advances hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.16 or 2.17, as the case may be, in the future, or would eliminate or reduce the effect of any Change in Law that resulted in such notice having been delivered by such Lender pursuant to Section 2.18(b), and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 2.16, or if the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 2.23(a), or if any Lender is a Defaulting Lender, Affected Lender or a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and

delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 7.05(b)), all of its interests, rights (other than its existing rights to payments pursuant to Section 2.16 or 2.17) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that:

(i) the Borrower shall have paid (or caused to be paid) to the Administrative Agent the assignment fee (if any) specified in Section 7.05(b)(iv);

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Advances and participations in Letters of Credit, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 2.13 as though such assignment were a prepayment) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 2.16 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with applicable law;

(v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent; and

(vi) in the case of any assignment resulting from a Lender becoming an Affected Lender, the Borrower shall have required all such Affected Lenders to assign all such interests, rights and obligations to an assignee (or assignees) that is not an Affected Lender.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Sectton 2.24 Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) *Waivers and Amendments*. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders" and Section 7.04.

(ii) *Defaulting Lender Waterfall*. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VI or otherwise, and including any amounts made available to the Administrative Agent by such Defaulting Lender pursuant to Section 2.20) shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any

LC Issuing Bank or Swing Line Bank hereunder; third, subject to Section 2.24(a)(v), if so determined by the Administrative Agent or requested by any LC Issuing Bank or Swing Line Bank, to Cash Collateralize the LC Issuing Banks' and Swing Line Bank's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.25; fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Advance in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a non-interest bearing deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Advances under this Agreement and (y) Cash Collateralize the LC Issuing Banks' future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.25; sixth, to the payment of any amounts owing to the Lenders, the LC Issuing Banks or the Swing Line Banks as a result of any judgment of a court of competent jurisdiction obtained by any Lender, any LC Issuing Bank or any Swing Line Bank against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Advances or LC Disbursements in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Advances were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 3.02 were satisfied or waived, such payment shall be applied solely to pay the Advances of and LC Disbursements owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Advances of, or LC Disbursements owed to, such Defaulting Lender. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.24(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) *Certain Fees*.

(A) Such Defaulting Lender shall be entitled to receive a Facility Fee for any period during which that Lender is a Defaulting Lender only to extent allocable to the sum of (1) the aggregate outstanding principal amount of the Base Rate Advances and Eurodollar Rate Advances funded by it, and (2) its Pro Rata Percentage of the stated amount of Letters of Credit and Swing Line Advances for which it has provided Cash Collateral pursuant to Section 2.25 or Section 2.24(a)(ii).

(B) Such Defaulting Lender shall be entitled to receive LC Fees for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Pro Rata Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.25 or Section 2.24(a)(ii).

(C) With respect to any Facility Fee or LC Fee not required to be paid to any Defaulting Lender pursuant to sub-clause (A) or (B) above, the Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in LC Disbursements or Swing Line Advances that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to each LC Issuing Bank and Swing Line Bank, as applicable, the amount

of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such LC Issuing Bank's or Swing Line Bank's Fronting Exposure with respect to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) *Reallocation of Participations to Reduce Fronting Exposure*. For purposes of computing the amount of each Non-Defaulting Lender's obligation to acquire, purchase, refinance or fund participations in Letters of Credit or Swing Line Advances pursuant to Sections 2.03 and 2.04, the "Pro Rata Percentage" and "Pro Rata Share" of each such Non-Defaulting Lender shall be computed without giving effect to the Commitment of any Defaulting Lender; provided, that, each such reallocation shall be given effect only to the extent that the aggregate amount of each Non-Defaulting Lender's obligation to acquire, purchase, refinance or fund participations in Letters of Credit and Swing Line Advances shall not exceed the positive difference, if any, of (1) the Commitment of such Non-Defaulting Lender minus (2) the Outstanding Credits of such Non-Defaulting Lender at such time.

(v) *Cash Collateral, Repayment of Swing Line Advances*. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, at the Borrower's election, (A) prepay Swing Line Advances in an amount equal to the Swing Line Banks' Fronting Exposure or (B) Cash Collateralize the Swing Line Banks' Fronting Exposure in accordance with the procedures set forth in Section 2.25 and (y) second, Cash Collateralize the LC Issuing Banks' Fronting Exposure in accordance with the procedures set forth in Section 2.25.

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent, each Swing Line Bank and each LC Issuing Bank agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Advances of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Advances and funded and unfunded participations in Letters of Credit and Swing Line Advances to be held pro rata by the Lenders in accordance with their Pro Rata Percentages (without giving effect to Section 2.24(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder in any Lender's status from Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) New Swing Line Advances/Letters of Credit. So long as any Lender is a Defaulting Lender, (i) no Swing Line Bank shall be required to fund any Swing Line Advances unless it is satisfied that it will have no Fronting Exposure after giving effect to such Swing Line Advance and (ii) no LC Issuing Bank shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

(d) Termination of Defaulting Lenders. The Borrower may terminate the unused amount of the Commitment of any Defaulting Lender upon not less than three (3) Business Days' prior notice to the Administrative Agent (which shall promptly notify the Lenders thereof), and in such event the provisions of Section 2.24(a)(ii) will apply to all amounts thereafter paid by the Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts); provided that such termination shall not be deemed to be a waiver or release of any claim the Borrower, the

Administrative Agent, any LC Issuing Bank, any Swing Line Bank or any other Lender may have against such Defaulting Lender

(e) No Waiver. The rights and remedies against, and with respect to, a Defaulting Lender under this Section 2.24 are in addition to, and cumulative and not in limitation of, all other rights and remedies that the Administrative Agent and each Lender, each LC Issuing Bank, each Swing Line Bank or the Borrower may at any time have against, or with respect to, such Defaulting Lender. In particular, subject to Section 7.15, no reallocation under Section 2.24(a)(iv) shall constitute a waiver or release of any claim the Borrower, the Administrative Agent, any LC Issuing Bank, any Swing Line Bank or any Lender may have against a Defaulting Lender arising from such Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased Outstanding Credits following such reallocation.

Section 2.25 Cash Collateral.

(a) Defaulting Lenders Generally. At any time that there shall exist a Defaulting Lender, within two (2) Business Days following the written request of the Administrative Agent, any LC Issuing Bank (with a copy to the Administrative Agent), or any Swing Line Bank (with a copy to the Administrative Agent), the Borrower shall Cash Collateralize the LC Issuing Banks' Fronting Exposure or the Swing Line Bank's Fronting Exposure, as applicable, with respect to such Defaulting Lender (determined after giving effect to Section 2.24(a)(iv) and any Cash Collateral provided by such Defaulting Lender) in an amount equal to 100% of such Fronting Exposure.

(b) Grant of Security Interest. Each of the Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the LC Issuing Banks and the Swing Line Banks, as applicable, and agrees to maintain, a first priority security interest in all such Cash Collateral as security for the Defaulting Lenders' obligations to fund participations in respect of Letters of Credit and for the Defaulting Lenders' obligations to purchase their respective Pro Rata Shares in respect of Swing Line Advances, as applicable, to be applied pursuant to paragraph (c) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent, the Swing Line Banks and/or the LC Issuing Banks as herein provided, or that the total amount of such Cash Collateral is less than the outstanding Fronting Exposure, the Borrower or the applicable Defaulting Lender will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (in the case of the Borrower, after giving effect to any Cash Collateral provided by the Defaulting Lender).

(c) Application. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.25 or Section 2.24 in respect of Letters of Credit shall be applied to the satisfaction of the applicable Defaulting Lender's obligation to fund participations in respect of Letters of Credit (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.25 or Section 2.24 in respect of Swing Line Advances shall be applied to the payment of the applicable Defaulting Lender's Pro Rata Percentage purchase of Swing Line Advances (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(d) Termination of Requirement. Cash Collateral (or the appropriate portion thereof) provided to reduce any LC Issuing Bank's Fronting Exposure or Swing Line Bank's Fronting Exposure shall be

promptly released following (i) the elimination of the applicable Fronting Exposure (including by the termination of Defaulting Lender status of the applicable Lender (or, as applicable, its assignee following compliance with Section 7.05(b)(vi)), or (ii) the determination by the Administrative Agent and each LC Issuing Bank or Swing Line Bank, as applicable, that there exists excess Cash Collateral; provided that, subject to Section 2.24 the Person providing Cash Collateral and each LC Issuing Bank or Swing Line Bank, as applicable, may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure or other obligations.

ARTICLE III
CONDITIONS TO EXTENSION OF CREDIT

Section 3.01 Conditions Precedent to Initial Extension of Credit. The obligation of the Lenders to make Advances on the occasion of the initial Borrowing, of any Swing Line Bank to make the initial Swing Line Advance and of any LC Issuing Bank to issue the first Letter of Credit (including the deemed issuance of the Existing Letters of Credit hereunder) is subject to the condition that, on or prior to the date of such first Extension of Credit, the Administrative Agent shall have received the following, each dated as of the same date (unless otherwise indicated), and each in form and substance reasonably satisfactory to the Administrative Agent:

(a) this Agreement, duly executed by the Borrower, each of the Lenders and the Administrative Agent and acknowledged by the Parent;

(b) if requested by any Lender, a Note, payable to such Lender, duly completed and executed by the Borrower;

(c) all documents that the Administrative Agent and the Lenders may reasonably request relating to the existence of the Borrower and the Parent, the corporate authority for and the validity of this Agreement and the other Loan Documents and any other matters relevant hereto, all in form and substance reasonably satisfactory to the Administrative Agent and the Lenders, including a certificate of incumbency of each of the Borrower and the Parent, signed by the Secretary or an Assistant Secretary of the Borrower and the Parent, certifying as to the names, true signatures and incumbency of the officer or officers authorized to execute and deliver the Loan Documents (other than the Support Agreement) to which each is a party and attaching certified copies of the following items: (i) the Support Agreement and the Financial Services Agreement, (ii) the Borrower's and the Parent's Certificates of Incorporation, (iii) the Borrower's and the Parent's By-laws, (iv) the actions taken by the board of directors of the Borrower and the Parent authorizing the Borrower's and the Parent's execution, delivery and performance of this Agreement and the other Loan Documents (other than the Support Agreement) to which each is a party, and (v) all governmental and other third party consents or approvals (if any) required in connection with the execution, delivery and performance of the Loan Documents (other than the Support Agreement) by the Borrower and the Parent;

(d) [Reserved.]

(e) an opinion of Morgan, Lewis & Bockius LLP, counsel for the Borrower and the Parent;

(f) certificates of the Secretary of State of Delaware as to the good standing of the Borrower and the Parent as Delaware corporations;

(g) (i) the unaudited balance sheet of the Borrower as of December 31, 2017 and the related unaudited statements of income and cash flows for the Fiscal Year then ended, and (ii) the audited financial statements referenced in Section 4.05(a).

(h) at least five (5) Business Days prior to the Closing Date, documentation and other information requested by the Administrative Agent from the Borrower and the Parent in order to comply with requirements of any Anti-Money Laundering Laws, including, without limitation, the Act and any applicable "know your customer" rules and regulations;

(i) payment of all (i) fees due to the Administrative Agent, the Joint Lead Arrangers and the Lenders set forth in the Fee Letters and (ii) reasonable and documented fees and expenses of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) to the extent accrued and unpaid and invoiced to the Borrower prior to or on the Closing Date;

(j) [Intentionally Omitted]; and

(k) such other documents, approvals, and opinions as may be mutually agreed by the Borrower and the Administrative Agent.

Without limiting the generality of the provisions of Section 8.04, for purposes of determining compliance with the conditions specified in this Section 3.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the Closing Date specifying its objection thereto.

Section 3.02 Conditions to All Extensions of Credit. The obligation of the Lenders to make (but not Continue or Convert) Advances on the occasion of each Borrowing, of each Swing Line Bank to make a Swing Line Advance and of each LC Issuing Bank to issue, extend or increase the stated amount of Letters of Credit, including the first Extension of Credit (including the deemed issuance of the Existing Letters of Credit hereunder), is subject to the satisfaction of the following conditions:

(a) the Administrative Agent shall have received a Notice of Borrowing, Notice of Swing Line Borrowing or Request for Issuance, as applicable;

(b) all representations and warranties of the Borrower contained in Article IV (other than the representations and warranties set forth in Sections 4.04 and 4.05(b) which shall only be made and need only be true on the Closing Date) shall be true in all material respects as if made on and as of the date of such Extension of Credit (other than with respect to any representation and warranty that expressly relates to an earlier date, in which case such representation and warranty shall be true in all material respects as of such earlier date, and except for any representation and warranty that is qualified by materiality or reference to Material Adverse Change, in which case such representation and warranty shall be true in all respects as of such earlier date);

(c) immediately prior to and immediately after such Extension of Credit, no Default or Event of Default under this Agreement shall have occurred and be continuing; and

(d) immediately after such Extension of Credit, the Outstanding Credits will not exceed the aggregate Commitment.

The making of each Extension of Credit (other than any Conversion or Continuation of an Advance) shall be deemed to be a representation and warranty by the Borrower on the date of such Extension of Credit that the conditions specified in paragraphs (b), (c) and (d) above have been satisfied.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 4.01 Corporate Existence and Status. Each of the Borrower, the Parent and each Significant Subsidiary of the Parent has been duly organized, is validly existing and in good standing under the laws of the jurisdiction of its incorporation and is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, except where the failure to be so qualified would not reasonably be expected to result in a Material Adverse Change. Each of the Borrower, the Parent and each Significant Subsidiary of the Parent has all corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

Section 4.02 Corporate Power and Authority; Enforceability. The execution, delivery and performance by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party (i) are within the Borrower's and the Parent's respective corporate powers and (ii) have been duly authorized by all necessary corporate action. This Agreement and the other Loan Documents to which the Borrower or the Parent is a party constitute valid and binding agreements of the Borrower and the Parent, as the case may be, enforceable in accordance with their respective terms, and the Notes, if and when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except, in each case, as the enforceability hereof and thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or similar laws applicable to creditors' rights or the collection of debtors' obligations generally and equitable principles of general applicability.

Section 4.03 Non-Violation.

(a) The execution, delivery and performance by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party (i) do not conflict with, result in a breach of or constitute a default under any provision of the articles of incorporation or by-laws (or other analogous formation documents) of the Borrower or the Parent, (ii) do not conflict with, result in a breach of or constitute a default under any provision of any material contract, agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or the Parent, except to the extent such conflict, breach or default would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Change and (iii) do not result in the creation or imposition of any Lien on any asset of the Borrower, the Parent or any Significant Subsidiary of the Parent (other than Permitted Liens).

(b) The execution and delivery by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party and the incurring and repayment by the Borrower of the Obligations under the Credit Agreement and the performance by the Parent of the Support Agreement do not violate any law, rule or regulation applicable to the Borrower or the Parent, as applicable.

(c) The performance by the Borrower of its other obligations under this Agreement and the other Loan Documents to which it is a party does not violate any law, rule or regulation applicable to the Borrower except where such violation would not reasonably be expected to have a Material Adverse Change.

Section 4.04 Litigation. There are no pending or, to the knowledge of the Borrower, threatened actions or proceedings (including any Environmental Proceedings) affecting the Borrower, the Parent or any

Subsidiary of the Parent before any court, governmental agency or arbitrator, that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Change.

Section 4.05 Financial Information.

(a) The consolidated balance sheet of the Parent and its Subsidiaries, as of December 31, 2017, and the related statements of income and cash flows for the Fiscal Year then ended, reported on by independent public accountants of nationally recognized standing (copies of which have been delivered to the Lenders), fairly present, in conformity with GAAP, the consolidated financial position of the Parent and its Subsidiaries, as of such date, and of their results of operations and cash flows for such period stated.

(b) Since December 31, 2017, there has been no Material Adverse Change.

Section 4.06 Approvals. The execution, delivery and performance by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party require no action by or in respect of, or filing with, any governmental body, agency or official or any other Person except where the failure to obtain such approval or such violation would not reasonably be expected to result in a Material Adverse Change.

Section 4.07 Use of Proceeds. The proceeds of the Advances and the Letters of Credit will be used by the Borrower for working capital and other general corporate purposes of the Parent and its Subsidiaries.

Section 4.08 Investment Company Act; Margin Regulations. Each of Parent and the Borrower is either not an "investment company" under the Investment Company Act of 1940 (the "***Investment Company Act***") or is exempt from all provisions of the Investment Company Act. Neither the Borrower, the Parent nor any Subsidiary of the Parent will apply the proceeds of any of the Advances, directly or indirectly, for the purpose, either immediate, incidental or ultimate, of purchasing or carrying any Margin Stock, except in compliance with Section 5.02(d).

Section 4.09 Compliance with Laws. Each of the Borrower, the Parent and each Subsidiary of the Parent is in compliance with all applicable laws, regulations and similar requirements of Governmental Authorities (including the Act and all Environmental Requirements), except where the failure to be in compliance would not reasonably be expected to result in a Material Adverse Change.

Section 4.10 Compliance with ERISA.

(a) Except as would not reasonably be expected to result in a Material Adverse Change, the Borrower, the Parent, each Significant Subsidiary of the Parent and each other member of the Controlled Group of the foregoing have fulfilled their respective obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan and have not incurred any liability to the PBGC (other than for current premiums, which have been paid when due) or a Plan under Title IV of ERISA (other than liabilities for benefits and administration and operational expenses incurred in the ordinary course of Plan operations). As of the valuation date immediately preceding the Closing Date, no Plan of the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing has been determined to be in "at risk" status (within the meaning of Section 430 of the Code or Section 303 of ERISA), and as of the Closing Date, no such Plan is reasonably expected to become an "at-risk" plan. No Multiemployer Plan is, or is expected to be, insolvent (within the meaning of ERISA Section 4245) or in "critical" status (within the meaning of ERISA Section 304).

(b) All contributions (if any) that the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing have been required to make to a Multiemployer Plan have been duly and timely made and none of Borrower, Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing has incurred any material liability with respect to any Multiemployer Plan other than to make contributions as and when due. None of the Borrower, the Parent, any Significant Subsidiary of the Parent nor any member of the Controlled Group of the foregoing has incurred any Withdrawal Liability that has not been fully paid.

Section 4.11 Environmental Matters. Neither the Borrower, the Parent nor any Significant Subsidiary of the Parent is subject to any Environmental Liability that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Change.

Section 4.12 Taxes. There have been filed on behalf of the Borrower, the Parent and each Significant Subsidiary of the Parent all United States federal, state, provincial and local income, excise, property and other material tax returns that are required to be filed by the Borrower, the Parent and such Significant Subsidiary of the Parent, and all taxes shown to be due pursuant to such returns or pursuant to any assessment received by or on behalf of the Borrower, the Parent and such Significant Subsidiary of the Parent have been, or within the times required by law will be, paid except (i) where the amount or validity thereof currently is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower, the Parent or such Significant Subsidiary of the Parent, as the case may be, or (ii) where failure to file or nonpayment would not reasonably be expected to result in a Material Adverse Change.

Section 4.13 No Defaults. Neither the Borrower, the Parent nor any Significant Subsidiary of the Parent is in default under or with respect to any material agreement, instrument or undertaking (other than in respect of Debt) to which it is a party, or by which it or any of its properties is bound which would reasonably be expected to result in a Material Adverse Change. No Default or Event of Default has occurred and is continuing.

Section 4.14 Ownership of Borrower and Operating Utilities. The Parent owns directly or indirectly (i) 100% of the Common Stock of the Borrower and (ii) at least 50% of the Common Stock of each Operating Utility, in each case, free and clear of any Lien other than Permitted Liens.

Section 4.15 Ownership of Properties and Assets. Each of the Borrower, the Parent and each Significant Subsidiary of the Parent has title to its properties and assets sufficient for the conduct of its respective business, except where the failure to have such title would not reasonably be expected to result in a Material Adverse Change.

Section 4.16 Full Disclosure. No written information (other than projections, other forward-looking information and information of a general economic or industry specific nature) furnished by the Borrower and the Parent to the Administrative Agent and the Lenders for purposes of or in connection with this Agreement and the Loan Documents or any transaction contemplated hereby or thereby (when taken as a whole for the purposes for which such information is given and read together with all other previously provided information), contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements were made; provided that in the case of projections, such projections were prepared in good faith based on estimates and assumptions believed by the Borrower and the Parent to be reasonable at the time made.

Section 4.17 Anti-Corruption Laws and Sanctions. The Borrower and the Parent have implemented and maintain in effect policies and procedures designed to ensure compliance in all material respects by the Borrower, the Parent, the Subsidiaries of the Parent and their respective directors, officers, employees and agents with Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions, and the Borrower, the Parent, the Subsidiaries of the Parent and their respective directors, officers and employees and to the knowledge of the Borrower its agents, are in compliance with Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions. None of (a) the Borrower, the Parent, any Subsidiary of the Parent or any of their respective directors, officers, employees or affiliates, or (b) to the knowledge of the Borrower or the Parent, any agent or representative of the Borrower, the Parent or any Subsidiary of the Parent that will act in any capacity in connection with or benefit from the credit facility established hereby is a Sanctioned Person or currently the subject or target of any Sanctions.

Section 4.18 Margin Stock. The Borrower is not engaged principally or as one of its important activities in the business of extending credit for the purpose of "purchasing" or "carrying" any Margin Stock.

ARTICLE V
COVENANTS

Section 5.01 Affirmative Covenants. So long as any Advance shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower agrees as follows:

(a) Parent Financial Reporting. The Borrower will cause the Parent to deliver to the Administrative Agent (which shall promptly make such information available to the Lenders in accordance with its customary practice):

(i) as soon as available and in any event within 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Parent and its Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of income and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on by independent public accountants of nationally recognized standing, with such report to be free of any "going concern" or similar qualification or exception or any qualification as to the scope of such audit;

(ii) as soon as available and in any event within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a consolidated balance sheet of the Parent and its Subsidiaries as of the end of such Fiscal Quarter and the related consolidated statement of income and cash flows for such Fiscal Quarter and for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all certified by a Financial Officer of the Parent to present fairly in all material respects the financial condition of the Parent and its Subsidiaries on a consolidated basis as of their respective dates and the results of operations of the Parent and its Subsidiaries for the respective periods then ended, subject to normal year-end adjustments and the absence of footnotes; and

(iii) no later than five (5) Business Days following the delivery of each set of financial statements referred to in Sections 5.01(a)(i) and 5.01(a)(ii), a certificate of a Financial Officer of the Parent demonstrating and certifying compliance with the financial covenant set forth in Section 5.01(i).

(b) Borrower Financial Reporting. The Borrower will deliver to the Administrative Agent (which shall promptly make such information available to the Lenders in accordance with its customary practice):

(i) as soon as available and in any event within 90 days after the end of each Fiscal Year, a balance sheet of the Borrower as of the end of such Fiscal Year and the related statements of income and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all certified by a Financial Officer of the Borrower to present fairly in all material respects the financial condition of the Borrower as of the date indicated and the results of operations of the Borrower for such Fiscal Year;

(ii) as soon as available and in any event within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a balance sheet of the Borrower as of the end of such Fiscal Quarter and the related statement of income and cash flows for such Fiscal Quarter and for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all certified by a Financial Officer of the Borrower to present fairly in all material respects the financial condition of the Borrower as of their respective dates and the results of operations of the Borrower for the respective periods then ended, subject to normal year-end adjustments and the absence of footnotes; and

(iii) simultaneously with the delivery of each set of financial statements referred to in Sections 5.01(b)(i) and 5.01 (b)(ii), a certificate of a Financial Officer of the Borrower stating whether, to the knowledge of such Financial Officer, any Default or Event of Default exists on the date of such certificate and, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Borrower or the Parent, as applicable, is taking or proposes to take with respect thereto.

(c) Other Reporting Requirements. The Borrower will, and will cause the Parent to, deliver to the Administrative Agent (which shall promptly make such information available to the Lenders in accordance with its customary practice):

(i) within five (5) Business Days after a Responsible Officer of the Borrower or the Parent becomes aware of the occurrence of any Default or Event of Default, a certificate of a Financial Officer of the Borrower or the Parent, as applicable, setting forth the details thereof and the action which the Borrower or the Parent, as applicable, is taking or proposes to take with respect thereto;

(ii) promptly upon the filing thereof with the SEC, copies of all reports with respect to material litigation which the Borrower, the Parent or any Subsidiary of the Parent files with the SEC;

(iii) within five (5) Business Days after the furnishing thereof, copies of all financial statements and reports sent to the stockholders of the Parent generally, and promptly upon the filing thereof with the SEC, notice by electronic mail of the filing of any financial statements and reports which the Parent filed with the SEC (other than reports referred to in Sections 5.01(a)(i), 5.01(a)(ii) and 5.01(c)(ii));

(iv) promptly upon receipt thereof, notice of any downgrade in the S&P Rating or the Moody's Rating of the Borrower;

(v) simultaneously with the delivery of the certificate referred to in Section 5.01(a)(iii), if any Subsidiary has become or ceased to be a Significant Subsidiary, a revised Schedule II disclosing the Significant Subsidiaries as of the date of such certificate;

(vi) prompt notice of any proposed waiver, amendment, supplement or other modification of any term or condition of the Support Agreement;

(vii) promptly upon the request thereof, such other information and documentation required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations (including the Act), as from time to time reasonably requested by the Administrative Agent or any Lender;

(viii) if reasonably requested by any Lender (through the Administrative Agent) or the Administrative Agent, the Borrower will furnish to the Administrative Agent evidence of compliance with the Margin Regulations; and

(ix) from time to time such additional information regarding the business, financial condition or results of operations of the Borrower, the Parent or the Significant Subsidiaries of the Parent as the Administrative Agent and the Lenders may reasonably request.

(d) Compliance with Laws and Contractual Obligations.

(i) The Borrower will, and will cause the Parent and the Subsidiaries of the Parent to, comply with the requirements of all applicable laws (including the Act, ERISA and Environmental Requirements), rules, regulations and orders, except where the failure to so comply would not reasonably be expected to result in a Material Adverse Change. Not in limitation of the foregoing, the Borrower will, and will cause the Parent, each Significant Subsidiary of the Parent and each other member of the Controlled Group of the foregoing to make all payments to each Plan of the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing necessary to meet the minimum funding requirements of Section 412 of the Code and Section 302 of ERISA.

(ii) The Borrower will, and will cause the Parent and the Significant Subsidiaries of the Parent to, comply with the requirements of all material contractual obligations (other than Debt) to which it is a party, except (A) where the necessity of such compliance currently is being contested in good faith by appropriate proceedings and reserves in conformity with, and to the extent required by, GAAP with respect thereto have been provided on the books of the Borrower, the Parent or any Significant Subsidiary of the Parent, as the case may be, or (B) where the failure to so comply would not reasonably be expected to result in a Material Adverse Change.

(e) Payment of Taxes. The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to, pay promptly when due all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations (other than Debt) which, if unpaid, might become a Lien against the Properties of the Borrower, the Parent or such Significant Subsidiary, except (i) liabilities that are currently being contested in good faith by appropriate proceedings and reserves in conformity with, and to the extent required by, GAAP with respect thereto have been provided on the books of the Borrower, the Parent or such Significant Subsidiary, as the case may be, or (ii) where the failure to pay would not reasonably be expected to result in a Material Adverse Change.

(f) Maintenance of Insurance. The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to, maintain with financially sound and reputable insurance companies, insurance on its Properties in at least such amounts and against at least such risks as are usually insured against in the same general area by companies of established repute engaged in the same or similar business as the Borrower, the Parent or such Significant Subsidiary of the Parent, as the case may be.

(g) Maintenance of Properties; Inspection of Property, Books and Records.

(i) Except as permitted by Section 5.02(b), the Borrower will, and will cause the Parent and the Significant Subsidiaries of the Parent to, maintain all of its Properties and assets necessary and material to its business in good condition, repair and working order, ordinary wear and tear excepted, in accordance with standards observed by companies engaged in the same or similar business and similarly situated as the Borrower, the Parent or such Subsidiaries of the Parent, as the case may be, except where the failure to so maintain its respective Properties and assets would not reasonably be expected to result in a Material Adverse Change; provided that nothing in this Section 5.01(g)(i) shall prevent the Borrower, the Parent or any Significant Subsidiary of the Parent from discontinuing the operation or maintenance of any such Properties or assets or disposing of such Properties or assets if such discontinuance is, in the judgment of the Borrower, desirable in the conduct of its business or the business of the Parent or any such Significant Subsidiary.

(ii) The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to, (A) keep proper books of record and account in which full, true and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its respective business and activities and (B) permit representatives of the Administrative Agent (and any Lender in attendance with the Administrative Agent) to visit and inspect any of its Properties at reasonable business hours upon reasonable notice, to examine and make abstracts from any of its books and records and to discuss its affairs, finances and accounts with its respective officers, employees and independent public accountants; provided that (w) excluding any such visits and inspections during the continuation of an Event of Default, the Administrative Agent shall conduct such visits and inspections at its (and the applicable Lenders') expense and not exercise such rights more often than one (1) time during any calendar year; (x) upon the occurrence and during the continuance of an Event of Default, the Administrative Agent and any Lender may do any of the foregoing at the expense of the Borrower and at any time without advance notice; (y) any such visits or inspections shall be subject to such conditions as the Borrower, the Parent and each Significant Subsidiary of the Parent, as the case may be, shall deem necessary based on reasonable considerations of safety and security; and (z) neither the Borrower, the Parent or any Significant Subsidiary of the Parent shall be required to disclose any information that is subject to the attorney-client privilege or attorney work-product privilege properly asserted by the applicable person to prevent the loss of such privilege or which is prevented from disclosure pursuant to a confidentiality agreement with third parties.

(h) Maintenance of Existence.

(i) The Borrower will, and will cause the Parent to, maintain its corporate existence except as permitted under Section 5.02(b).

(ii) The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to maintain all rights, franchises, licenses and privileges necessary to the conduct of its business, except (x) as permitted under Section 5.02(b) and (y) where the failure to take such action would not reasonably be expected to result in a Material Adverse Change.

(i) Debt Capitalization. The Borrower will cause the Parent to maintain at the end of each Fiscal Quarter a ratio of Consolidated Total Debt to Consolidated Total Capitalization of not more than 0.70 to 1.0.

(j) Compliance with Anti-Corruption Laws and Sanctions. The Borrower and the Parent will maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, the Parent, the Subsidiaries of the Parent and their respective directors, officers, employees and agents with Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions.

Documents required to be delivered pursuant to Sections 5.01(a), 5.01(b) and 5.01(c) (other than Section 5.01(c)(ii)) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed in Section 7.01; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent by facsimile or electronic mail (which shall promptly provide notice to the Lenders in accordance with its customary practice) of the posting of any such documents. Notwithstanding anything contained herein, in every instance the Parent and the Borrower shall be required to provide paper copies of the compliance certificates required by Sections 5.01(a)(iii) and 5.01(b)(iii) to the Administrative Agent. Except for such compliance certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower and the Parent hereby acknowledge that (a) the Administrative Agent and/or the Joint Lead Arrangers will make available to the Lenders and the LC Issuing Banks materials and/or information provided by or on behalf of the Borrower and the Parent hereunder (collectively, the "***Borrower Materials***") by posting the Borrower Materials on SyndTrak Online or another similar electronic system (the "***Platform***") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower, the Parent or their respective securities) (each, a "***Public Lender***"). The Borrower hereby agrees that if (x) the Borrower has clearly and conspicuously marked any Borrower Materials "PUBLIC", which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof or (y) the Borrower Materials have been filed with the SEC without a request of confidential treatment, (A) the Borrower shall be deemed to have authorized the Administrative Agent, the Joint Lead Arrangers, the LC Issuing Banks and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrower, the Parent or their respective securities for purposes of United States Federal and state securities laws (provided that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 7.06); (B) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor"; and (C) the Administrative Agent and the Joint Lead Arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor". Notwithstanding the foregoing, the Borrower shall be under no obligation to mark any Borrower Materials "PUBLIC".

Section 5.02 Negative Covenants. So long as any Advance shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower agrees as follows:

(a) Restrictions on Liens. The Borrower shall not, and shall not cause or permit the Parent or any Significant Subsidiary of the Parent to create, incur, assume or suffer to exist, any Lien on or with respect to any of its respective Property, whether now owned or hereafter acquired, except Permitted Liens.

(b) Consolidations; Mergers; Etc. Neither the Borrower nor the Parent shall consolidate or merge with or into, or sell, lease or otherwise transfer all or substantially all of its assets, taken as a whole, to any other Person; provided that (i) the Parent may consolidate or merge with another Person so long as (A) the Parent is the Person surviving or continuing after the completion of such consolidation or merger; (B) after giving effect to such consolidation or merger, the S&P Rating and the Moody's Rating of the Parent is BBB-/Baa3 or higher; and (C) immediately after giving effect to such consolidation or merger, no Default or Event of Default shall have occurred and be continuing and (ii) the Borrower may consolidate or merge with, or sell, lease or otherwise transfer all or substantially all of its assets to, the Parent so long as (A) in the case of a consolidation or merger, the Parent is the Person surviving or continuing after the completion of such consolidation or merger; (B) the Parent directly assumes all of the Borrower's obligations under the Loan Documents in accordance with documentation reasonably acceptable to the Administrative Agent; and (C) immediately after giving effect to such consolidation, merger, sale, lease or transfer, no Default or Event of Default shall have occurred and be continuing.

(c) Sale-Leaseback Transactions. The Borrower will not, and will not allow Parent or any Significant Subsidiary of the Parent to, enter into any Sale and Leaseback Transaction unless:

(i) the aggregate amount of the Attributable Debt of the Borrower, the Parent and the Significant Subsidiaries of the Parent in respect of Sale and Leaseback Transactions then outstanding would not exceed 15% of Consolidated Tangible Total Assets, or

(ii) the Borrower, the Parent or such Significant Subsidiary, within six (6) months of the applicable Sale and Leaseback Transaction, retires an amount of secured Debt which is not subordinate to the Obligations in an amount equal to the greater of (A) the net proceeds of the sale or transfer of the property or other assets that are the subject of such Sale and Leaseback Transaction or (B) the fair market value of the property leased pursuant to such Sale and Leaseback Transaction;

provided that this Section 5.02(c) shall not apply to any Sale and Leaseback Transaction which (x) is for an initial term of three (3) years or less or (y) which has a sale price of (A) $1,000,000 or less, individually or (B) $20,000,000 or less in the aggregate.

(d) Use of Proceeds.

(i) No part of the proceeds of any of the Advances or Letters of Credit will be used for any purpose which violates the provisions of the Margin Regulations. The proceeds of the Advances shall not be used for any purpose other than as specified in Section 4.07.

(ii) The Borrower will not request any Extension of Credit, and the Borrower shall not use, and shall ensure that the Parent and its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Extension of Credit (x) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws,

(y) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (z) in any manner that would result in the violation of any Sanctions applicable to any party hereto or any Anti-Corruption Laws or Anti-Money Laundering Laws.

(e) Support Agreement. Subject to Section 7.04(a)(viii), the Borrower shall not, and shall not cause or permit the Parent to: (i) cancel or terminate the Support Agreement or (ii) amend or otherwise modify the terms of the Support Agreement, except for amendments and modifications that do not adversely affect the rights of the Lenders hereunder, in each case, without the prior written consent of the Lenders.

(f) Change in Nature of Business. Except as permitted by Section 5.02(b), the Borrower shall not engage in any business, operations or activities (whether directly, through a joint venture, in connection with a permitted acquisition or otherwise) other than financing activities for and on behalf of the Parent and the other Subsidiaries of the Parent.

ARTICLE VI
DEFAULTS

Section 6.01 Events of Default. If one or more of the following events ("***Events of Default***") shall have occurred and be continuing:

(a) the Borrower shall fail to pay (i) any principal of any Advance or Reimbursement Obligation on the date such payment is due, or (ii) interest on any Advance or Reimbursement Obligation or any other Obligation, within five (5) Business Days of the date such payment is due; or

(b) the Borrower shall fail to observe or perform (or shall fail to cause the Parent and its Subsidiaries or Significant Subsidiaries, as applicable, to observe or perform) any covenant or agreement contained in Section 5.01(c)(i), 5.01(h)(i), 5.01(i) or 5.02; or

(c) the Borrower shall fail to observe or perform (or shall fail to cause the Parent and its Subsidiaries or Significant Subsidiaries, as applicable, to observe or perform) any covenant or agreement contained in this Agreement (other than those covered by Section 6.01(a) or 6.01(b)) and such failure shall continue for a period of thirty (30) days after the earlier of (i) the Borrower's delivery of notice thereof to the Administrative Agent and (ii) written notice thereof has been given to the Borrower by the Administrative Agent or any Lender; or

(d) any representation, warranty, certification or statement made or deemed made by the Borrower in Article IV or by the Borrower or the Parent under any other Loan Document or in any certificate, financial statement or other document delivered pursuant to this Agreement or any other Loan Document shall prove to have been incorrect in any material respect (or for any representation, warranty, certification or statement that is qualified by materiality or reference to Material Adverse Change, in any respect) when made (or deemed made); or

(e) the Borrower, the Parent or any Significant Subsidiary of the Parent shall fail to pay any principal of or premium or interest on any Debt (excluding Debt evidenced by this Agreement and any Notes, but including, for purposes of this provision, obligations of the Parent under Section 4 of the Support Agreement) in an aggregate amount in excess of (i) $75,000,000, in the case of the Borrower, (ii) $75,000,000, in the case of the Parent or any Significant Subsidiary other than the Borrower or (iii) $150,000,000, in the aggregate, in the case of all of the Significant Subsidiaries of the Parent, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such

failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of (with the giving of notice and/or lapse of time, if required), the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; provided that if such failure, default, event or condition shall be cured by the Borrower, the Parent or such Significant Subsidiary or waived by the holders of such Debt and any acceleration of maturity having resulted from such failure, default, event or condition shall be rescinded or annulled, in each case in accordance with the terms of such agreement or instrument, without any modification of the terms of such Debt requiring the Borrower, the Parent or such Significant Subsidiary to furnish additional or other security therefor, furnish additional or other guarantees thereof, reduce the average life to maturity thereof, increase the principal amount thereof or the interest rate thereon, or any agreement by the Borrower, the Parent or such Significant Subsidiary to furnish additional or other security therefor, furnish additional or other guarantees thereof, or to issue Debt in lieu thereof which is secured by additional or other collateral or additional or other guarantees or with a shorter average life to maturity or in a greater principal amount or with a greater interest rate thereon, then any default hereunder by reason thereof shall be deemed likewise to have been thereupon cured or waived unless payment of the Advances hereunder has been accelerated prior to such cure or waiver; or

(f) the Parent shall default in the performance or observance of any obligation or condition under Section 3 of the Support Agreement as of the last day of any Fiscal Year or Fiscal Quarter of the Borrower; provided that any such default shall not be an Event of Default unless the Borrower has tangible net worth (total assets less liabilities less intangible assets as of such last day), as determined for purposes of the Support Agreement and after giving effect to period-end adjustments in accordance with GAAP, of less than negative $100,000; or

(g) the Borrower, the Parent or any Significant Subsidiary of the Parent shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or shall admit in writing its inability, to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(h) an involuntary case or other proceeding shall be commenced against the Borrower, the Parent or any Significant Subsidiary of the Parent seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief in such case or proceeding shall be entered against the Borrower, the Parent or any such Significant Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or

(i) one or more judgments or orders for the payment of money in an aggregate amount (to the extent not paid or insured) in excess of (i) $75,000,000, in the case of the Borrower, (ii) $75,000,000, in the case of the Parent or any Significant Subsidiary other than the Borrower or (iii) $150,000,000, in the aggregate, in the case of all of the Significant Subsidiaries of the Parent, shall be rendered against the Borrower, the

Parent or any such Significant Subsidiary, and such judgment or order shall continue without having been discharged, vacated or stayed for a period of sixty (60) consecutive days after the entry thereof; or

(j) (i) the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Plan of the Borrower, the Parent, any Significant Subsidiary or any other member of the Controlled Group of the foregoing or any Multiemployer Plan or a proceeding shall be instituted by a fiduciary of any such Plan or Multiemployer Plan against the Borrower or any member of its Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or (ii) a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Multiemployer Plan must be terminated; or (iii) the Borrower, the Parent or any such Significant Subsidiary, or any member of the Controlled Group of the foregoing shall incur any Withdrawal Liability with respect to one or more Multiemployer Plans, in each case that results or is reasonably likely to result in liability to the Borrower or any Significant Subsidiary in the aggregate in excess of $37,500,000; or

(k) any material provision of the Support Agreement shall become unenforceable, or any court or governmental or regulatory body having jurisdiction over the Parent, shall assert the unenforceability of any such provision in writing, or the Parent contests in any manner the validity or enforceability of any such provision; or

(l) a Parent Change of Control shall occur; or

(m) except as permitted by Section 5.02(b), the Parent shall cease to own, directly or indirectly, 100% of the Common Stock of the Borrower;

then, and in every such event, the Administrative Agent, on behalf of the Lenders, the Swing Line Banks and the LC Issuing Banks, may, with the consent of the Required Lenders (or shall at the request of the Required Lenders), by notice to the Borrower: terminate the Commitment, the Swing Line Commitment and the LC Commitment and each shall thereupon terminate and declare the Advances (together with accrued interest thereon) and the Reimbursement Obligations and all other Obligations to be, and the Advances (together with all accrued interest thereon), Reimbursement Obligations and all other Obligations shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that if any Event of Default specified in Section 6.01(g) or 6.01(h) occurs with respect to the Borrower or the Parent, without any notice to the Borrower or any other act by the Administrative Agent or any Lender, Swing Line Bank or LC Issuing Bank, the Commitment, the Swing Line Commitment and the LC Commitment shall thereupon automatically terminate and the Advances (together with accrued interest thereon) and all other Obligations shall automatically become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

Section 6.02 Cash Collateral Account. Notwithstanding anything to the contrary contained herein, no notice given or declaration made by the Administrative Agent pursuant to Section 6.01 shall affect the obligation of any LC Issuing Bank to make any payment under any Letter of Credit in accordance with the terms of such Letter of Credit; provided that upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower, require the Borrower to deposit with the Administrative Agent an amount in the cash collateral account (the "***Cash Collateral Account***") described below equal to 102% of the aggregate maximum amount available to be drawn under all Letters of Credit outstanding at such time. Such Cash Collateral Account shall at all times be free and clear of all rights or claims of third parties. The Cash Collateral Account shall be maintained with the Administrative Agent in the name of, and under the sole

dominion and control of, the Administrative Agent, and amounts deposited in the Cash Collateral Account shall bear interest at a rate equal to the rate generally offered by the Administrative Agent for deposits equal to the amount deposited by the Borrower in the Cash Collateral Account, for a term to be determined by the Administrative Agent in its sole discretion. The Borrower hereby grants to the Administrative Agent for the benefit of the Lenders, the LC Issuing Banks and the Swing Line Banks, a Lien on, and hereby assigns to the Administrative Agent for the benefit of the Lenders, the LC Issuing Banks and the Swing Line Banks all of its right, title and interest in, the Cash Collateral Account and all funds from time to time on deposit therein to secure its Reimbursement Obligations in respect of Letters of Credit or repayment obligations in respect of the Swing Line Advances, as applicable. If any drawings then outstanding or thereafter made are not reimbursed in full immediately upon demand or, in the case of subsequent drawings, upon being made, then, in any such event, the Administrative Agent may, and, upon the Borrower's request, shall, apply the amounts then on deposit in the Cash Collateral Account, in such priority as the Administrative Agent shall elect, toward the payment in full of any or all of the Borrower's Obligations hereunder as and when such Obligations shall become due and payable. Upon the earlier to occur of (a) payment in full, after the termination of the Letters of Credit, of all Obligations and (b) the date on which all Events of Default shall have been cured or waived, the Administrative Agent will repay and reassign to the Borrower any cash then on deposit in the Cash Collateral Account, and the Lien of the Administrative Agent on the Cash Collateral Account and the funds therein shall automatically terminate.

Section 6.03 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower, the Administrative Agent (irrespective of whether the principal of any Advance or Letters of Credit shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Advances, Letters of Credit and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.09 and 7.03) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same in accordance with this Agreement;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 7.03.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

ARTICLE VII
MISCELLANEOUS

Section 7.01 Notices.

(a) All notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission or similar writing) and shall be given to such party at its address, or facsimile number or other electronic transmission set forth, in the case of the Borrower, the Parent, the Administrative Agent, the Lenders, the Swing Line Banks and the LC Issuing Banks on the signature pages hereto (including, in the case of the Borrower, the Borrower's website) or such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Borrower and the Administrative Agent. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified as provided in this Section and the appropriate confirmation is received, (ii) if given by e-mail, when transmitted to the email address specified in this Section and a written confirmation of such communication is also given by some other method specified in this Section, (iii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iv) if given by any other means, when delivered at the address specified as provided in this Section; provided that (x) Notices of Borrowings to the Administrative Agent and Notices of Swing Line Borrowings to the applicable Swing Line Bank under Article II shall not be effective until received and (y) notices delivered by facsimile or e-mail, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient.

(b) Notices and other communications to the Lenders and the LC Issuing Banks hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices to any Lender or LC Issuing Bank pursuant to Article II if such Lender or LC Issuing Bank, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Section 7.02 No Waivers. No failure or delay by the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any of the other Loan Documents shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 7.03 Expenses; Indemnification.

(a) The Borrower shall pay (i) all reasonable and documented out of pocket expenses incurred by the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers and their Affiliates (including the reasonable and documented fees and expenses of counsel for the Administrative Agent), in connection with the syndication of the credit facility evidenced by this Agreement, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents (other than the Support Agreement) or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) without duplication of any fees separately agreed to by the Borrower, all reasonable and documented out of pocket expenses incurred by any LC Issuing Bank (other than overhead expenses and other similar expenses) in connection with the

issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all documented out of pocket expenses incurred by the Administrative Agent, any Lender, any Swing Line Bank or any LC Issuing Bank (including the reasonable and documented fees and expenses of any counsel for the Administrative Agent, any Lender, any Swing Line Bank or any LC Issuing Bank), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Advance made or Letters of Credit issued hereunder, including all such out of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Advances or Letters of Credit; provided that the Borrower shall only be required to pay the fees and expenses for (x) one (1) outside counsel for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, the Lenders, the Swing Line Banks and the LC Issuing Banks, (y) any local and/or regulatory counsel in any applicable jurisdiction for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, the Lenders, the Swing Line Banks and the LC Issuing Banks and (z) in the case of an actual or potential conflict of interest, such additional counsel as may be reasonably necessary.

(b) The Borrower shall indemnify the Administrative Agent, each Joint Lead Arranger, each Lender, each Swing Line Bank and each LC Issuing Bank, and each Related Party of any of the foregoing Persons (each such Person being called an "***Indemnitee***") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related reasonable and documented out of pocket costs and expenses (including the reasonable and documented fees and expenses of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Borrower or the Parent) other than such Indemnitee and its Related Parties arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Advance or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by any LC Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower, the Parent or any of its Subsidiaries, or any Environmental Proceeding or Environmental Liability related in any way to the Borrower, the Parent or any of its Subsidiaries, (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, the Parent or any of its Subsidiaries, and regardless of whether any Indemnitee is a party thereto, or (v) any claim (including any claim arising from an Environmental Proceeding or Environmental Liability), investigation, litigation or other proceeding (whether or any Indemnitee is a party thereto) and the prosecution and defense thereof, arising out of or in any way connected with the Advances, this Agreement, any other Loan Document, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby, including reasonable and documented attorneys' fees; provided that such indemnity shall (x) not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related costs and expenses are determined by a court of competent jurisdiction by final and nonappealable judgment (1) to have resulted from the gross negligence or willful misconduct of such Indemnitee or (2) to have resulted from a claim brought by the Borrower or the Parent against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, (y) not be available for any claim, litigation, loss or proceeding that is brought by an Indemnified Person against another Indemnified Person not arising from or in connection with any action or omission of the Borrower, the Parent or any of their respective Subsidiaries or Affiliates (other than against any of the Joint Lead Arrangers, the Administrative Agent or the Co-Documentation Agents in their capacities as such) and (z) be limited in the case of attorneys' fees and expenses to (1) one (1) outside counsel for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers,

the Lenders, the Swing Line Banks and the LC Issuing Banks, (2) any local and/or regulatory counsel in any applicable jurisdiction for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, the Lenders, the Swing Line Banks and the LC Issuing Banks and (3) in the case of an actual or potential conflict of interest, such additional counsel as may be reasonably necessary. This Section 7.03 (b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), any LC Issuing Bank, any Swing Line Bank or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), such LC Issuing Bank, such Swing Line Bank or such Related Party, as the case may be, such Lender's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the aggregate outstanding Commitments, or if there are no Commitments outstanding, the outstanding principal amount of the Advances, at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender); provided that with respect to such unpaid amounts owed to any LC Issuing Bank or Swing Line Bank solely in its capacity as such, only the Lenders shall be required to pay such unpaid amounts, such payment to be made severally among them based on such Lenders' Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought); and provided, further, that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), such LC Issuing Bank or such Swing Line Bank in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), such LC Issuing Bank or any such Swing Line Bank in connection with such capacity. The obligations of the Lenders under this paragraph (c) are subject to the provisions of Section 2.21(c).

(d) To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document, the transactions contemplated hereby or thereby, any Advance or Letter of Credit, or the use of the proceeds thereof. To the fullest extent permitted by applicable law, no Indemnitee shall assert, and each Indemnitee hereby waives, any claim against the Borrower, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document, the transactions contemplated hereby or thereby, any Advance or Letter of Credit, or the use of the proceeds thereof; provided that this waiver shall in no way limit the Borrower's indemnification obligations in Section 7.03(b) to the extent of any claim by any Person other than the Borrower, the Parent or any Indemnitee or its Related Parties for any of the foregoing to the extent such claim would be covered by Section 7.03(b).

Section 7.04 Amendments, Waivers and Consents.

(a) Neither this Agreement nor any other Loan Document (other than the Support Agreement (except as provided in clause (viii) below)) nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing and signed by the Required Lenders, the Borrower and the Parent; provided that no such amendment, change, waiver, discharge or termination shall without the consent of each Lender affected thereby:

(i) extend the final maturity of any Advance, or any portion thereof (except pursuant to Section 2.06),

(ii) reduce the rate or extend the time of payment of interest (other than a waiver or rescission of the application of the default rate of interest) or fees hereunder;

(iii) reduce or waive repayment of the principal amount of any Advance,

(iv) extend the Commitment of a Lender or increase the Commitment of a Lender over the amount thereof in effect (it being understood and agreed that none of (A) a waiver of any Default or Event of Default, (B) the extension of the Commitment of any other Lender in accordance with Section 2.06 or (C) the increase of the Commitment of any other Lender in accordance with Section 2.05, shall, in any case, constitute a change in the terms of the Commitment of such Lender),

(v) release the Borrower from all its obligations under the Loan Documents except as permitted hereby,

(vi) reduce any percentage specified in, or otherwise modify, the definition of "Required Lenders",

(vii) consent to the assignment or transfer by the Borrower of any of its respective rights and obligations under (or in respect of) the Loan Documents except as permitted hereby or thereby,

(viii) (x) terminate or otherwise cancel the Support Agreement or (y) amend or otherwise modify the terms of the Support Agreement in any manner that, in the case of this clause (y), adversely affects the rights of such Lender,

(ix) amend or otherwise modify this Section 7.04; or

(x) change Section 2.21 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender.

Notwithstanding anything to the contrary herein, (i) no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender; (ii) no amendment, waiver or consent shall, unless in writing and signed by the LC Issuing Banks in addition to the Lenders required above, affect the rights or duties of the LC Issuing Banks under this Agreement or any Letter of Credit issued or to be issued by it; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Banks in addition to the Lenders required above, affect the rights or duties of the Swing Line Banks under this Agreement; (iv) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (v) each Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto.

(b) In connection with any proposed amendment, change or waiver (a "***Proposed Change***") requiring the consent of all Lenders or all affected Lenders, if the consent of the Required Lenders to such Proposed Change is obtained, but the consent to such Proposed Change of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in paragraph (a) above being referred to as a "***Non-Consenting Lender***"), then, so long as the Lender that is acting as Administrative

Agent is not a Non-Consenting Lender, the Borrower may, at its sole expense and effort, upon notice to such Non-Consenting Lender and the Administrative Agent, require such Non-Consenting Lender to assign and delegate (or to execute a Power of Attorney to the Administrative Agent for the Administrative Agent to assign and delegate on such Non-Consenting Lender's behalf) without recourse (in accordance with and subject to the restrictions contained in Section 7.05), all its interests, rights and obligations under this Agreement to an Eligible Assignee that shall assume such obligations; provided that (i) such Non-Consenting Lender shall have received payment of an amount equal to the outstanding principal of its Advances and participations in Letter of Credit payments that have not been reimbursed, accrued interest thereon, accrued fees and all other amounts payable to it hereunder from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (ii) the Borrower or such assignee shall have paid to the Administrative Agent the processing and recordation fee specified in Section 7.05(b)(iv). Notwithstanding anything to the contrary in this Agreement, the return of the Note held by any such Non-Consenting Lender is not a condition to the effectiveness of any assignment pursuant to this Section 7.04(b).

(c) Notwithstanding anything to the contrary in this Section 7.04, if the Administrative Agent and the Borrower shall have jointly identified (each in its sole discretion) an obvious error or omission of a technical or immaterial nature, in each case, in any provision of the Loan Documents (other than the Support Agreement), then the Administrative Agent and the Borrower shall be permitted to amend such provision and such amendment shall become effective without any further action or consent of any other party to any Loan Document if the same is not objected to in writing by the Required Lenders within five Business Days following the posting of such amendment to the Lenders.

Section 7.05 Benefit of Agreement.

(a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that, except as permitted by Section 5.02(b), the Borrower may not assign or transfer any of its interests and obligations without prior written consent of each of the Lenders; and provided further that the rights of each Lender to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth in this Section 7.05.

(b) Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Advances, its Notes, and its Commitment); provided that:

(i) each such assignment shall be to an Eligible Assignee;

(ii) except in the case of an assignment to another Lender, an Affiliate of an existing Lender or any Approved Fund or an assignment of all of a Lender's rights and obligations under this Agreement, any such partial assignment shall be in an amount at least equal to $10,000,000 (or, if less, the remaining amount of the Commitment being assigned by such Lender) or an integral multiple of $1,000,000 in excess thereof;

(iii) each such assignment by a Lender of any portion of its Advances shall be accompanied by an assignment of a constant, and not varying, percentage of all of such Advances, and each such assignment by a Lender of any portion of its Advances shall be accompanied by an assignment of a constant, and not varying, percentage of all of such Lender's Advances;

(iv) the parties to such assignment shall execute and deliver to the Administrative Agent for its acceptance an Assignment and Acceptance, together with any Note subject to such assignment and a processing fee of $3,500;

(v) except for any (A) Swing Line Bank which is a Lender being replaced pursuant to Section 2.23(b), and (B) any LC Issuing Bank which (1) is a Lender being replaced pursuant to Section 2.23(b) and (2) has no Letters of Credit issued by it on such date of replacement, the consents of each LC Issuing Bank and Swing Line Bank (such consent not to be unreasonably withheld or delayed) shall be required for any assignment; and

(vi) in connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the Pro Rata Share previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, each LC Issuing Bank, each Swing Line Bank and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full Pro Rata Share and participations in Letters of Credit and Swing Line Advances in accordance with its Pro Rata Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Agreement; provided, that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Upon the consummation of any assignment pursuant to this Section 7.05, the assignor, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, new Notes are issued to the assignor and the assignee. Each assignee shall deliver to the Borrower and the Administrative Agent certification as to an exemption from or reduction of withholding of Taxes in accordance with Section 2.17(g). To the extent that an assignment of all or any portion of a Lender's Commitment pursuant to this Section 7.05 would, at the time of such assignment, result in increased costs under Section 2.16 or 2.17 from those being charged by the respective assigning Lender prior to such assignment, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment).

(c) The Administrative Agent shall maintain at its address referred to in Section 7.01 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "***Register***"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable

time and from time to time upon reasonable prior notice. Any assignment of any Advance or other obligations shall be effective only upon an entry with respect thereto being made in the Register.

(d) Upon its receipt of an Assignment and Acceptance executed by the parties thereto, together with any Note subject to such assignment and payment of the processing fee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the parties thereto.

(e) Each Lender may sell participations to one or more Persons (other than a natural Person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person, or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each a "***Participant***") in all or a portion of its rights, obligations or rights and obligations under this Agreement (including all or a portion of its Commitment or its Advances); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) the Borrower shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower hereunder owing to such Lender and to approve any amendment, modification, or waiver of any provision of this Agreement (other than amendments, modifications, or waivers decreasing the amount of principal of or the rate at which interest is payable on such Advances or Notes, extending any scheduled principal payment date or date fixed for the payment of interest on such Advances or Notes, or extending its Commitment). The Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.16 and 2.17 (subject to the requirements and limitations therein, including the requirements under Section 2.17(g) (it being understood that the documentation required under Section 2.17(g) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Section 2.23 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Section 2.13, 2.16 or 2.17, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Advances or other obligations under the Loan Documents (the "***Participant Register***"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13, 2.16 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central banking authority for such Lender; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) Any Lender may furnish any information concerning the Borrower in the possession of such Lender from time to time to assignees and participants (including prospective assignees and Participants), subject, however, to the provisions of Section 7.06.

(i) Notwithstanding anything to the contrary contained in this Agreement, any Lender may exchange, continue or rollover all or a portion of its Advances in connection with any refinancing, extension, loan modification or similar transaction permitted by the terms of this Agreement, pursuant to a cashless settlement mechanism approved by the Borrower, the Administrative Agent and such Lender.

Section 7.06 Confidentiality. Each of the Administrative Agent, the Lenders, the Swing Line Banks and the LC Issuing Banks agree to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed and required to keep such Information confidential and not to use such Information except in connection with the transactions contemplated by the Loan Documents, and it being further understood that each of the Administrative Agent, the Lenders, the Swing Line Banks and the LC Issuing Banks will be responsible for any disclosure or use of such Information by its Affiliates and its employees, officers and directors in a manner not permitted by this Section); (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners); provided that except in connection with any routine bank examination of the Administrative Agent, such Lender, such Swing Line Bank or such LC Issuing Bank, such Person or Related Party shall (to the extent permitted by any regulatory authority), at the expense of the Borrower, provide the Borrower and the Parent with prompt (and to the extent practicable, prior) notice of such requested disclosure so that the Borrower or Parent may seek a protective order or other appropriate remedy and, in any event, such Person or Related Party shall provide only that portion of such Information that in the reasonable judgment of such Person or Related Party, as the case may be, is relevant, advisable or legally required to be provided, to the extent practicable; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; provided that the Administrative Agent, such Lender, such Swing Line Bank or such LC Issuing Bank, as applicable, shall (to the extent legally permitted to do so), at the expense of the Borrower, provide the Borrower and the Parent with prompt (and to the extent practicable, prior) notice of such requested disclosure so that the Borrower or Parent may seek a protective order or other appropriate remedy and, in any event, the Administrative Agent, such Lender, such LC Issuing Bank or such LC Issuing Bank shall provide only that portion of such Information that in the reasonable judgment of such Person is relevant, advisable or legally required to be provided, to the extent practicable; (d) to any other party hereto; (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder and, in any event, only with respect to that portion of Information that is relevant, advisable or legally required in such Person's reasonable judgment to such exercise of remedies, action or proceeding or enforcement of rights; (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement; (g) on a confidential basis to (i) any rating agency in connection with rating the Borrower or this Agreement or (ii)

the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to this Agreement; (h) with the consent of the Borrower; or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section, or (y) becomes available to the Administrative Agent, any Lender, any LC Issuing Bank or any of their respective Affiliates on a nonconfidential basis from a source other than any Borrower Party (as defined below) that is not known by the Administrative Agent, such Lender, such Swing Line Bank, such LC Issuing Bank or such Affiliate to be prohibited from disclosing such information to it by a contractual, legal or fiduciary obligation to the Borrower, the Parent or any of their respective Subsidiaries or Affiliates. Notwithstanding the foregoing, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Administrative Agent or any Lender in connection with the administration of this Agreement, the other Loan Documents, and the Commitments.

For purposes of this Section, "***Information***" means all information received from any Borrower Party relating to the Borrower, the Parent or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or any LC Issuing Bank on a nonconfidential basis prior to disclosure by any Borrower Party. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. For purposes of this Section, "***Borrower Party***" means the Borrower, the Parent or any Subsidiary, Affiliate, attorney, accountant, auditor, advisor or agent of the Borrower or the Parent.

Section 7.07 Representation by Lender. Each Lender hereby represents that it is a commercial lender or financial institution which makes loans in the ordinary course of its business and that it will make its Advances hereunder for its own account in the ordinary course of such business; provided that, subject to Sections 2.23 and 7.05, the disposition of the Advances owed to such Lender and the Notes held by such Lender shall at all times be within its exclusive control.

Section 7.08 Governing Law. This Agreement and the Notes shall be construed in accordance with and governed by the law of the State of New York.

Section 7.09 Consent to Jurisdiction; Waiver of Jury Trial.

(a) Submission to Jurisdiction. Each of the parties hereto irrevocably and unconditionally agrees that any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against any other party hereto or any Related Party of such Person in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, shall be brought and maintained in the courts of the State of New York sitting in New York County, and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the exclusive jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such federal court.

(b) Waiver of Venue. Each party hereto irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (a) of this Section. Each of the parties hereto hereby irrevocably waives, to

the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Service of Process. Each party hereto irrevocably consents to service of process effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the address provided for notices in Section 7.01. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

(d) Waiver of Jury Trial. THE ADMINISTRATIVE AGENT, THE LENDERS, THE SWING LINE BANKS, THE LC ISSUING BANKS AND THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT AND ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE LENDERS, THE SWING LINE BANKS, THE LC ISSUING BANKS, THE BORROWER OR THE PARENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE ADMINISTRATIVE AGENT, THE LENDERS, THE SWING LINE BANKS AND THE LC ISSUING BANKS ENTERING INTO THIS AGREEMENT.

Section 7.10 Interpretation. No provision of this Agreement or any other Loan Document shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

Section 7.11 Counterparts; Effectiveness; Electronic Execution.

(a) Counterparts; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Electronic Execution of Assignments. The words "execution", "signed", "signature" and words of like import in any Assignment and Acceptance shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 7.12 Entire Agreement. This Agreement and the other Loan Documents embody the entire agreement and understanding between the parties hereto and thereto in respect of the transactions contemplated hereby and thereby and supersede all prior negotiations, understandings and agreements between such parties or any of them in respect of such transactions.

Section 7.13 USA PATRIOT Act. The Administrative Agent and each Lender hereby notifies the Borrower that pursuant to the requirements of the Act or any other Anti-Money Laundering Laws, it is required to obtain, verify and record information that identifies the Borrower and the Parent, which information includes the name, address, and taxpayer identification number of the Borrower, the Parent and their

Subsidiaries, and other information that will allow such Lender to identify the Borrower, the Parent and their Subsidiaries in accordance with the Act or such Anti-Money Laundering Laws.

Section 7.14 Reaffirmation. This Agreement constitutes an amendment and restatement of the Existing Credit Agreement. Each of the parties hereto acknowledges and agrees that the Obligations represent, among other things, the amendment, restatement, renewal, extension, consolidation and modification of the Obligations (as defined in the Existing Credit Agreement) of the Borrower under the Existing Credit Agreement. Each of the parties hereto further acknowledges and agrees that this Agreement supersedes and replaces the Existing Credit Agreement but does not extinguish the Obligations (as defined in the Existing Credit Agreement) thereunder and that by entering into and performing its Obligations hereunder, this transaction shall not constitute a novation.

Section 7.15 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

Section 7.16 Lender ERISA Matters.

(a) Each Lender represents and warrants, as of the date such Person became a Lender party hereto, to, and covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, the Parent, or any of their Subsidiaries or Affiliates, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3 (42) of ERISA) of one or more Benefit Plans in connection with the Advances, the Letters of Credit or the Commitments;

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts),

PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Advances, the Letters of Credit, the Commitments and this Agreement;

(iii) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Advances, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Advances, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Advances, the Letters of Credit, the Commitments and this Agreement; or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Joint Lead Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, the Parent, or any of their Subsidiaries or Affiliates that:

(i) none of the Administrative Agent or the Joint Lead Arrangers or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto);

(ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Advances, the Letters of Credit, the Commitments and this Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least $50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E);

(iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Advances, the Letters of Credit, the Commitments and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including in respect of the Obligations);

(iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Advances, the Letters of Credit, the Commitments and this Agreement is a fiduciary under ERISA or the Code, or both, with

respect to the Advances, the Letters of Credit, the Commitments and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder; and

(v) no fee or other compensation is being paid directly to the Administrative Agent or any Joint Lead Arranger or any their respective affiliates for investment advice (as opposed to other services) in connection with the Advances, the Letters of Credit, the Commitments or this Agreement.

(c) The Administrative Agent and the Joint Lead Arrangers hereby inform the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Advances, the Letters of Credit, the Commitments and this Agreement, (ii) may recognize a gain if it extended the Advances, the Letters of Credit or the Commitments for an amount less than the amount being paid for an interest in the Advances, the Letters of Credit or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

Section 7.17 No Fiduciary or Advisory Relationship Established By Loan Documents. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges the Parent's and their Affiliates' understanding, that: (a) (i) no fiduciary, advisory or agency relationship between the Borrower, the Parent and their Subsidiaries and Affiliates and any Joint Lead Arranger, the Administrative Agent, any LC Issuing Bank, any Swing Line Bank or any Lender is intended to be or has been created in respect of the transactions contemplated hereby or by the other Loan Documents, irrespective of whether any Joint Lead Arranger, the Administrative Agent, any LC Issuing Bank, any Swing Line Bank or any Lender has advised or is advising the Borrower, the Parent or any of their Affiliates or Subsidiaries on other matters, (ii) the arranging and other services regarding this Agreement provided by the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swing Line Banks and the Lenders are arm's-length commercial transactions between the Borrower, the Parent and their Subsidiaries and Affiliates, on the one hand, and the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swing Line Banks and the Lenders, on the other hand, (iii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent that it has deemed appropriate and (iv) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; and (b) (i) the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swing Line Banks and the Lenders each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower, the Parent or any of their Subsidiaries or Affiliates, or any other Person; (ii) none of the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swing Line Banks and the Lenders has any obligation to the Borrower, the Parent or any of their Subsidiaries or Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swing Line Banks and the Lenders and their respective Affiliates may be engaged, for their own accounts or the accounts of customers, in a broad range of transactions that involve interests that differ from those of the Borrower, the Parent, and their Subsidiaries and Affiliates, and none of the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the

Swing Line Banks and the Lenders has any obligation to disclose any of such interests to the Borrower, the Parent or their Subsidiaries or Affiliates. To the fullest extent permitted by Law, the Borrower hereby waives and releases any claims that it may have against any of the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swing Line Banks and the Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby

ARTICLE VIII
AGENCY PROVISIONS

Section 8.01 Appointment. Each Lender, Swing Line Bank and LC Issuing Bank hereby designates and appoints Wells Fargo, as Administrative Agent of such Person to act as specified herein and the other Loan Documents, and each such Lender, Swing Line Bank and LC Issuing Bank hereby authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated by the terms hereof and of the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere herein and in the other Loan Documents, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Lender, Swing Line Bank or LC Issuing Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any of the other Loan Documents, or shall otherwise exist against the Administrative Agent. The provisions of this Section are solely for the benefit of the Administrative Agent, the Lenders, the Swing Line Banks and the LC Issuing Banks and neither the Borrower nor the Parent shall have any rights as a third party beneficiary of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, the Administrative Agent shall act solely as Administrative Agent of the Lenders, the Swing Line Banks and the LC Issuing Banks and, does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for the Borrower, the Parent or any of their respective Affiliates.

Section 8.02 Delegation of Duties. The Administrative Agent may execute any of its duties hereunder or under the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 8.03 Exculpatory Provisions. The Administrative Agent and its officers, directors, employees, agents, attorneys-in-fact or affiliates shall not be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection herewith or in connection with any of the other Loan Documents (except for its or such Person's own gross negligence, bad faith or willful misconduct), or (ii) responsible in any manner to any of the Lenders, the Swing Line Banks or the LC Issuing Banks for any recitals, statements, representations or warranties made by the Borrower or the Parent contained herein or in any of the other Loan Documents or in any certificate, report, document, financial statement or other written or oral statement referred to or provided for in, or received by the Administrative Agent under or in connection herewith or in connection with the other Loan Documents, or enforceability or sufficiency therefor of any of the other Loan Documents, or for any failure of the Borrower or the Parent to perform its obligations hereunder or thereunder. The Administrative Agent shall not be responsible to any Lender, Swing Line Bank or LC Issuing Bank for the effectiveness, genuineness, validity, enforceability, collectability or sufficiency of this Agreement, or any of the other Loan Documents or for any representations, warranties, recitals or statements made herein or therein or made by the Borrower or the Parent in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders, the Swing Line Banks

or the LC Issuing Banks or by or on behalf of the Borrower or the Parent to the Administrative Agent, any Lender, any Swing Line Bank or any LC Issuing Bank or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Advances or of the existence or possible existence of any Default or Event of Default or to inspect the properties, books or records of the Borrower, the Parent or any of their respective Affiliates.

Section 8.04 Reliance on Communications. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, facsimile, statement, order or other document or conversation believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower, independent accountants and other experts selected by the Administrative Agent with reasonable care). The Administrative Agent may deem and treat the Lenders, the Swing Line Banks and the LC Issuing Banks as the owner of their respective interests hereunder for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent in accordance with Section 7.05. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or under any of the other Loan Documents unless it shall first receive such advice or concurrence of the Required Lenders (or such other number or percentage of the Lenders, Swing Line Banks or LC Issuing Banks as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 6.01, 6.02 and 7.04) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders, the Swing Line Banks and/or the LC Issuing Banks, as applicable, against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or under any of the other Loan Documents in accordance with a request of the Required Lenders (or to the extent specifically provided in Section 7.04, all the Lenders, all affected Lenders, all Swing Line Banks or all LC Issuing Banks, as applicable) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders, the Swing Line Banks and the LC Issuing Banks, as applicable (including their respective successors and assigns).

Section 8.05 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender, a Swing Line Bank, an LC Issuing Bank, the Borrower or the Parent referring to the Loan Document, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders, the Swing Line Banks and the LC Issuing Banks. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders.

Section 8.06 Non-Reliance on Administrative Agent and Other Lenders. Each Lender, Swing Line Bank and LC Issuing Bank expressly acknowledges that each of the Administrative Agent and its officers, directors, employees, agents, attorneys-in-fact or Affiliates has not made any representations or warranties to it and that no act by the Administrative Agent or any Affiliate thereof hereinafter taken, including any review of the affairs of the Borrower, the Parent or any of their respective Affiliates, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender, Swing Line Bank or LC Issuing Bank. Each Lender, Swing Line Bank and LC Issuing Bank represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, Swing Line Bank or LC Issuing Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property,

financial and other conditions, prospects and creditworthiness of the Borrower, the Parent or their respective Affiliates and made its own decision to make its Advances hereunder and enter into this Agreement. Each Lender, Swing Line Bank and LC Issuing Bank also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, Swing Line Bank or LC Issuing Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower, the Parent and their respective Affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders, the Swing Line Banks and the LC Issuing Banks by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender, Swing Line Bank or LC Issuing Bank with any credit or other information concerning the business, operations, assets, property, financial or other conditions, prospects or creditworthiness of the Borrower, the Parent or their respective Affiliates which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8.07 Administrative Agent in its Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower, the Parent, their respective Subsidiaries or their respective Affiliates as though the Administrative Agent were not the Administrative Agent hereunder. With respect to the Advances and all obligations of the Borrower and the Parent hereunder and under the other Loan Documents, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender, any Swing Line Bank and any LC Issuing Bank, in such capacity, and may exercise the same as though it were not the Administrative Agent, and the terms "Lender", "Lenders", "Swing Line Bank", "Swing Line Banks", "LC Issuing Bank" and "LC Issuing Banks" shall include the Administrative Agent in its individual capacity, as applicable.

Section 8.08 Successor Agent.

(a) The Administrative Agent may resign at any time by giving written notice thereof to the Lenders, the Swing Line Banks, the LC Issuing Banks and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent. Such successor shall be subject to the approval of the Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be necessary if at the time such successor is appointed there shall have occurred and be continuing an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h). If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may, (but shall not be obligated to), on behalf of the Lenders, the Swing Line Banks and the LC Issuing Banks, appoint a successor Administrative Agent, which shall be a Lender or shall be another commercial bank or trust company organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Such successor shall be subject to the approval of the Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be necessary if at the time such successor is appointed there shall have occurred and be continuing an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h). Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent (x) is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Borrower and such Person, or (y) no longer has any Commitment as a Lender, the Borrower

may, to the extent permitted by applicable law, by notice in writing to the Lenders and such Person, remove such Person as Administrative Agent. In connection with such removal, the Required Lenders shall appoint a successor Administrative Agent, subject to the approval of the Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be necessary if at the time such successor is appointed there shall have occurred and be continuing an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h). If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after its removal (or such earlier day as shall be agreed by the Required Lenders (in the case of a removal pursuant to clause (x) of this Section 8.08(b)) or the Borrower (in the case of a removal pursuant to clause (y) of this Section 8.08(b))) (the "Removal Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent, shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. In the event that no successor has been appointed on the Resignation Effective Date or Removal Effective Date, as applicable, any Cash Collateral held by the retiring Administrative Agent shall continue to be held by such Person, for the benefit of the Lenders, the Swing Line Banks and the LC Issuing Banks, as applicable, until a successor Administrative Agent has been appointed hereunder.

(d) Any resignation by or removal of Wells Fargo as Administrative Agent pursuant to this Section shall also constitute its resignation as an LC Issuing Bank and Swing Line Bank. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of Wells Fargo as the retiring LC Issuing Bank and Swing Line Bank, (ii) the retiring LC Issuing Bank and Swing Line Bank shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (iii) the Borrower shall (at the expense of (x) the retiring Administrative Agent, in the case of a resignation by the Administrative Agent and (y) the Borrower in the case of a removal of the Administrative Agent) (A) use commercially reasonable efforts to cause an LC Issuing Bank to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or (B) make other arrangements satisfactory to the retiring LC Issuing Bank to cause the obligations of the retiring LC Issuing Bank with respect to such Letters of Credit to be Cash Collateralized.

Section 8.09 Other Agents. No Joint Lead Arranger nor any Lender identified as an "Agent" (other than the Administrative Agent) shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of any such Person which is also a Lender, Swing Line Bank or LC Issuing Bank, those applicable to all Lenders, Swing Line Banks or LC Issuing Banks, as applicable, as such. Without limiting the foregoing, none of the Lenders so identified shall have or be deemed to have any fiduciary relationship with any other Lender, Swing Line Bank or LC Issuing Bank. Each Lender, Swing Line Bank and LC Issuing Bank acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE IX
ACKNOWLEDGMENT

Section 9.01 Parent Acknowledgment. The Parent hereby acknowledges that (a) Obligations owing by the Borrower under this Agreement will constitute "Debt" under the Support Agreement and (b)

this Agreement contains representations and warranties and covenants that relate to the Parent and that a breach of any of those representations or warranties, or a failure by the Borrower to comply with such covenants, could result in an Event of Default under this Agreement. Notwithstanding the acknowledgement contained in this Section 9.01, each of the Administrative Agent, each LC Issuing Bank, each Swing Line Bank and each Lender acknowledges and agrees that it will have no recourse against the Parent under this Agreement, and the rights and remedies of the Administrative Agent, each LC Issuing Bank, each Swing Line Bank and each Lender against Parent shall be solely pursuant to and in accordance with the Support Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWER:

AMERICAN WATER CAPITAL CORP.

By: /s/ Charles Witherspoon
Name: Charles Witherspoon
Title: Vice President & Treasurer

Address for Notices:

131 Woodcrest Road
Cherry Hill, NJ 08003
Attention: Daniel Chila
Facsimile No.: (856) 566-4004
e-mail: daniel.chila@amwater.com
website: www.amwater.com

PARENT:

Acknowledged and agreed solely as to Section 9.01 of the Credit Agreement.

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ Charles Witherspoon
Name: Charles Witherspoon
Title: Vice President & Treasurer

Address for Notices:

131 Woodcrest Road
Cherry Hill, NJ 08003
Attention: Daniel Chila
Facsimile No.: (856) 566-4004
e-mail: daniel.chila@amwater.com

ADMINISTRATIVE AGENT AND LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, an LC Issuing Bank, a Swing Line Bank and a Lender

By: /s/ Frederick W. Price
Name: Frederick W. Price
Title: Managing Director

Address for Notices:

For Loan Operations Notices:

MAC D1109-019
1525 West W.T. Harris Blvd.
Charlotte, NC 28262
Attention: Syndication Agency Services
Facsimile No.: (704) 715-0017
e-mail: agencyservices.requests@wellsfargo.com

For Credit Notices:

MAC: D1053-115
301 South College Street, 11th Floor
Charlotte, NC 28288
Attention: Rick Price
Facsimile No.: (704) 410-0331
e-mail: rick.price@wellsfargo.com

JPMORGAN CHASE BANK, N.A., as an LC Issuing Bank, a Swing Line Bank and a Lender

By: /s/ Nancy R. Barwig
Name: Nancy R. Barwig
Title: Credit Executive

Address for Notices:

For Loan Operation Notices:

10 South Dearborn, Floor L2
Chicago, IL 60603-2300
Attention: Non-Agented Servicing Team
Facsimile No.: (214) 307-6874

For Credit Notices:

10 South Dearborn, Floor 09
Chicago, IL 60603-2300
Attention: Nancy R. Barwig
Facsimile No.: (312) 732-1762
e-mail: nancy.r.barwig@jpmorgan.com

MIZUHO BANK, LTD., as an LC Issuing Bank and a Lender

By: /s/ Daniel Guevara
Name: Daniel Guevara
Title: Authorized Signatory

Address for Notices:

1251 Avenue of the Americas
New York, NY 10020
Attention: Raymond Ventura
Facsimile No.: (212) 282-4488

PNC Bank, National Association, as an LC Issuing Bank and a Lender

By: /s/ Denise DiSimone
Name: Denise DiSimone
Title: Senior Vice President

Address for Notices:

For Loan Operation Notices:

Attention: Dana Brackins
Facsimile No.: (877) 733-1196
e-mail: Dana.Brackins@pnc.com

For Credit Notices:

1000 Westlakes Drive
Berwyn, PA 19312
Attention: Domenic D'Ginto
Facsimile No.:

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ James O'Shaughnessy
Name: James O'Shaughnessy
Title: Vice President

Address for Notices:

1095 Avenue of the Americas
15th Floor
New York, NY 10036
Attention: James P. O'Shaughnessy
Facsimile No.:

BANK OF AMERICA, N.A., as a Lender

By: /s/ Dilcia P. Hill
Name: Dilcia P. Hill
Title: Senior Vice President

Address for Notices:

194 Wood Avenue South
Mail Code: NJ7-550-04-02
Iselin, NJ 08830
Attention: Dilcia P. Hill

ROYAL BANK OF CANADA, as a Lender

By: /s/ Rahul Shah
Name: Rahul Shah
Title: Authorized Signatory

Address for Notices:

Three World Financial Center
New York, NY 10281
Attention: Rahul Shah
Facsimile No.:

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as a Lender

By: /s/ Cherese Joseph
Name: Cherese Joseph
Title: Vice President

Address for Notices:

1251 Avenue of the Americas
New York, NY 10020-1104
Attention: Nadia Sleiman
Facsimile No.:

TD BANK, N.A., as a Lender
By: /s/ Jason Siewert
Name: Jason Siewert
Title: Senior Vice President

Address for Notices:

444 Madison Ave., 2nd Floor
New York, NY 10022
Attention: Betty Chang
Facsimile No.: (212) 308-0486

BRANCH BANKING AND TRUST COMPANY, as a Lender

By: /s/ Ryan T. Hamilton
Name: Ryan T. Hamilton
Title: Vice President

Address for Notices:

1133 Avenue of the Americas
New York, NY 10036
Attention: Timothy J. Wiegand
Facsimile No.: (703) 442-5544

REGIONS BANK, as a Lender

By: /s/ Ted Tarver
Name: Ted Tarver
Title: Vice President

Address for Notices:

1045 Providence Road, Suite 200
Charlotte, NC 28207
Attention: Dion Barrett
Facsimile No.: (704) 338-1034

COBANK, ACB, as a Lender

By: /s/ Bryan Ervin
Name: Bryan Ervin
Title: Vice President

Address for Notices:

5500 South Quebec Street
Greenwood Village, CO 80111
Attention: Louise Derengowski
Facsimile No.: (303) 740-4002

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Richard K. Fronapfel, Jr.
Name: Richard K. Fronapfel, Jr.
Title: Director

Address for Notices:

One Wall Street - 19th Floor
New York, NY 10026
Attention: Richard K Fronapfel, Jr.
Facsimile No.: (212) 635-8593

SCHEDULE I

LENDERS AND COMMITMENTS

LENDER	COMMITMENT	PRO RATA PERCENTAGE
Wells Fargo Bank, National Association	$212,000,000.00	9.42222222222
JPMorgan Chase Bank, N.A.	$212,000,000.00	9.42222222222
Mizuho Bank, Ltd.	$212,000,000.00	9.42222222222
PNC Bank, National Association	$212,000,000.00	9.42222222222
U.S. Bank National Association	$212,000,000.00	9.42222222222
Bank of America, N.A.	$175,000,000.00	7.77777777778
Royal Bank of Canada	$175,000,000.00	7.77777777778
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$175,000,000.00	7.77777777778
TD Bank, N.A.	$175,000,000.00	7.77777777778
Branch Banking and Trust Company	$145,000,000.00	6.44444444444
Regions Bank	$145,000,000.00	6.44444444444
CoBank, ACB	$100,000,000.00	6.44444444444
The Bank of New York Mellon	$100,000,000.00	6.44444444444
AGGREGATE COMMITMENT	$2,250,000,000.00	100.0000000000

SCHEDULE II

SIGNIFICANT SUBSIDIARIES

New Jersey-American Water Company, Inc.

Pennsylvania-American Water Company

Missouri-American Water Company

American Water Capital Corp.

Illinois-American Water Company

SCHEDULE 2.03

SWING LINE BANKS AND SWING LINE COMMITMENTS

SWING LINE BANK	SWING LINE COMMITMENT
Wells Fargo Bank, National Association	$50,000,000.00
JPMorgan Chase Bank, N.A.	$50,000,000.00
AGGREGATE SWING LINE COMMITMENT	$100,000,000.00

SCHEDULE 2.04

LC ISSUING BANKS AND LC COMMITMENTS

LC ISSUING BANK	LC COMMITMENT
Wells Fargo Bank, National Association	$30,000,000.00
JPMorgan Chase Bank, N.A.	$30,000,000.00
Mizuho Bank, Ltd.	$30,000,000.00
PNC Bank, National Association	$30,000,000.00
U.S. Bank National Association	$30,000,000.00
AGGREGATE LC COMMITMENT	$150,000,000.00

SCHEDULE 2.04(k)

EXISTING LETTERS OF CREDIT

[Delivered separately to the Lenders]

EXHIBIT A

FORM OF NOTICE OF BORROWING

Wells Fargo Bank, National Association,
as Administrative Agent

[[Name of Swing Line Bank],
as Swing Line Bank][1]

[Date]

Ladies and Gentlemen:

The undersigned, American Water Capital Corp., a Delaware corporation, refers to that certain Second Amended and Restated Credit Agreement dated as of March 21, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"; capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement), by and among the undersigned, as Borrower, the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent, and hereby gives you notice, irrevocably, pursuant to Section [2.02(a)][2.03(a)] of the Credit Agreement that the undersigned hereby requests a [Borrowing][Swing Line Borrowing] under the Credit Agreement. In that connection, the undersigned sets forth below the information relating to such [Borrowing][Swing Line Borrowing] (the "***Proposed Borrowing***") as required by Section [2.02(a)][2.03(a)] of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is: _____ ___, 20___.2

(ii) The aggregate amount of the Proposed Borrowing is: $_____.

(iii) The Type of Advance comprising the Proposed Borrowing is a [[Base Rate] [Eurodollar Rate] [LIBOR Market Index Rate] Advance] [Swing Line Advance based on the Base Rate].

[(iv) The initial Interest Period for each Eurodollar Rate Advance made as a part of the Proposed Borrowing is: [7 days] [[one] [two] [three] [six] [twelve] month[s]]].[3] [4]

---

[1] Include for Notice of Swing Line Borrowings

2 Notice of Borrowing to be given no later than 1:00 p.m. on the date of the Proposed Borrowing for Base Rate Advances and 11:00 a.m. on the third Business Day prior to the date of the Proposed Borrowing for Eurodollar Rate Advances. Notice of Borrowing for a Swing Line Borrowing to be given no later than 1:00 p.m. on the date of the proposed Swing Line Borrowing for LIBOR Market Index Rate Advances and Swing Line Advances based on the Base Rate.

[3]Which must comply with the definition of "Interest Period" and end not later than the stated Termination Date (Interest Periods of 12 months are subject to availability for all Lenders)

[4]Insert for Eurodollar Rate Advances only

[(v) The Swing Line Bank is: _____.][5]

The undersigned hereby certifies that the following statements are true on the date hereof and will be true on the date of the Proposed Borrowing:

(A) all representations and warranties of the Borrower contained in Article IV of the Credit Agreement (other than the representations and warranties set forth in Sections 4.04 and 4.05(b) which shall only be made and need only be true on the Closing Date) shall be true in all material respects as if made on and as of the date of the Proposed Borrowing (other than with respect to any representation and warranty that expressly relates to an earlier date, in which case such representation and warranty shall be true in all material respects as of such earlier date, except for any representation and warranty that is qualified by materiality or reference to Material Adverse Change, which such representation and warranty shall be true in all respects as of such earlier date);

(B) immediately prior to and immediately after such Proposed Borrowing, no Default or Event of Default under the Credit Agreement shall have occurred and be continuing; and

(C) immediately after such Proposed Borrowing, the Outstanding Credits will not exceed the aggregate Commitment.

[remainder of page intentionally left blank]

[5] Insert for Swing Line Borrowings only.

Very truly yours,

AMERICAN WATER CAPITAL CORP.

By:_____
Name:
Title:

EXHIBIT B

FORM OF REQUEST FOR ISSUANCE

Wells Fargo Bank, National Association,
as Administrative Agent

[Name of LC Issuing Bank],
as LC Issuing Bank

[Date]

Ladies and Gentlemen:

The undersigned, American Water Capital Corp., a Delaware corporation, refers to that certain Second Amended and Restated Credit Agreement dated as of March 21, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"; capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement), by and among the undersigned, as Borrower, the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent, and hereby gives you notice, pursuant to Section 2.04(b) of the Credit Agreement that the undersigned hereby requests the [issuance][extension][modification][amendment] of [Letter of Credit No. _____, issued on _____, 20___][a Letter of Credit] (the "***Specified Letter of Credit***") in accordance with the following terms:

(i) The LC Issuing Bank is: _____.

(ii) The Business Day of the requested date of [issuance] [extension] [modification] [amendment] of the Specified Letter of Credit is: _____ ____, 20___.[6]

(iii) The [initial] stated expiration date of the Specified Letter of Credit requested hereby is: _____ ____, 20___ [and the Borrower is requesting the Specified Letter of Credit to contain auto-renewal provisions][8]

(iv) The requested stated amount of the Specified Letter of Credit is $_____.

(v) The beneficiary of the Specified Letter of Credit is _____, with an address at _____.

[(vi) The conditions under which a drawing may be made under the Specified Letter of Credit are as follows: _____.][9]

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6 Request for Issuance to be delivered no later than 11:00 a.m. on the Business Day immediately prior to such date.
[7]Which must comply with the provisions of Section 2.04(b) of the Credit Agreement
[8] Include as applicable.
[9] Insert for issuances of new Letters of Credit only

[(vi) The Specified Letter of Credit is to be [extended][modified][amended] as follows:_____.][10]

[( ) Any other additional conditions are as follows: _____.]

The undersigned hereby certifies that the following statements are true on the date hereof and will be true on the date of the [issuance][extension][modification][amendment] of the Specified Letter of Credit:

(A) all representations and warranties of the Borrower contained in Article IV of the Credit Agreement (other than the representations and warranties set forth in Sections 4.04 and 4.05(b) which shall only be made and need only be true on the Closing Date) shall be true in all material respects as if made on and as of the date of the [issuance][extension][modification] [amendment] of the Specified Letter of Credit (other than with respect to any representation and warranty that expressly relates to an earlier date, in which case such representation and warranty shall be true in all material respects as of such earlier date, except for any representation and warranty that is qualified by materiality or reference to Material Adverse Change, which such representation and warranty shall be true in all respects as of such earlier date);

(B) immediately prior to and immediately after such proposed [issuance] [extension][modification][amendment] of the Specified Letter of Credit, no Default or Event of Default under the Credit Agreement shall have occurred and be continuing; and

(C) immediately after such proposed [issuance][extension][modification] [amendment] of the Specified Letter of Credit, the Outstanding Credits will not exceed the aggregate Commitment.

[remainder of page intentionally left blank]

[10] Insert for an extension, modification or amendment only

Very truly yours,

AMERICAN WATER CAPITAL CORP.

By:_____
Name:
Title:

[Consented to as of the date

first above written:

[NAME OF SPECIFIED LETTER OF
CREDIT BENEFICIARY]
By:_____
Name:
Title:][11]

[11]Insert for a modification or amendment only

EXHIBIT C

FORM OF ASSIGNMENT AND ACCEPTANCE

This Assignment and Acceptance (the "***Assignment and Acceptance***") is dated as of the Effective Date set forth below and is entered into by and between [the][each][12] Assignor identified in item 1 below ([the][each, an] "***Assignor***") and [the][each][13] Assignee identified in item 2 below ([the][each, an] "***Assignee***"). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees][14] hereunder are several and not joint.] Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"), receipt of a copy of which is hereby acknowledged by [the][each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor's][the respective Assignors'] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the facility identified below (including, without limitation, any Letters of Credit, guarantees, and Swing Line Advances included in such facility), and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)][the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the][an] "Assigned Interest"). Each such sale and assignment is without recourse to

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[12] For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

[13] For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

[14] Select as appropriate.

[15] Include bracketed language if there are either multiple Assignors or multiple Assignees.

[the][any] Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by [the] [any] Assignor.

1. Assignor[s]: _____

_____
Assignor [is][is not] a Defaulting Lender

2. Assignee[s]: _____

_____
[Assignee, is an [Affiliate][Approved Fund] of [identify Lender][16]

3. Borrower: American Water Capital Corp.

4. Administrative Agent: Wells Fargo Bank, National Association, as administrative agent under the Credit Agreement

5. Credit Agreement: The Second Amended and Restated Credit Agreement dated as of March 21, 2018 by and among Borrower, the Lenders party thereto and the Administrative Agent

6. Assigned Interest[s]:

Assignor[s][17]	Assignee[s][18]	Aggregate Amount of Commitment/ Advances for all Lenders[19]	Amount of Commitment/ Advances Assigned[8]	Percentage Assigned of Commitment/ Advances[20]	CUSIP Number
		$	$	%	
		$	$	%	
		$	$	%	

[7. Trade Date: _____][21]

Effective Date: _____ ___, 20____ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

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[16] Select as applicable.
[17] List each Assignor, as appropriate.
[18] List each Assignee, as appropriate.
[19] Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.
[20] Set forth, to at least 12 decimals, as a percentage of the Commitment/Advances of all Lenders thereunder.
[21] To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

[remainder of page intentionally left blank]

The terms set forth in this Assignment and Acceptance are hereby agreed to:

ASSIGNOR[S][22]

[NAME OF ASSIGNOR]

By:_____
Name:
Title:

ASSIGNEE[S][23]

[NAME OF ASSIGNEE]

By:_____
Name:
Title:

[Consented to and][24] Accepted:

WELLS FARGO BANK,
NATIONAL ASSOCIATION, as Administrative Agent

By:_____
Name:
Title:

Consented to:

[WELLS FARGO BANK,
NATIONAL ASSOCIATION,
as a Swing Line Bank and an LC Issuing Bank

By:_____
Name:
Title:][25]

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[22] Add additional signature blocks as needed.
[23] Add additional signature blocks as needed.
[24] To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

[JPMORGAN CHASE BANK, N.A.,
as a Swing Line Bank and an LC Issuing Bank

By:_____
Name:
Title:][26]

[MIZUHO BANK, LTD.
as an LC Issuing Bank

By:_____
Name:
Title:][27]

[PNC BANK, NATIONAL ASSOCIATION,
as an LC Issuing Bank

By:_____
Name:
Title:][28]

[U.S. BANK NATIONAL ASSOCIATION,
as an LC Issuing Bank
By:_____
Name:
Title:][29]

[[NAME OF [SWING LINE][LC ISSUING] BANK],
as [a Swing Line Bank][an LC Issuing Bank]

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[25] To be added only if the consent of such Swing Line Bank/LC Issuing Bank is required by the terms of the Credit Agreement.
[26] To be added only if the consent of such Swing Line Bank/LC Issuing Bank is required by the terms of the Credit Agreement.
[27] To be added only if the consent of such LC Issuing Bank is required by the terms of the Credit Agreement.
[28] To be added only if the consent of such LC Issuing Bank is required by the terms of the Credit Agreement.
[29] To be added only if the consent of such LC Issuing Bank is required by the terms of the Credit Agreement.

By:_____
Name:
Title:][30]

Consented to:
AMERICAN WATER CAPITAL CORP.

By:_____
Name:
Title:][31]

[30] To be added only if the consent of such Swing Line Bank/LC Issuing Bank is required by the terms of the Credit Agreement.
[31] To be added only if the consent of the Borrower is required by the terms of the Credit Agreement

ANNEX 1

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1 Assignor[s]. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim, (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and (iv) it is [not] a Defaulting Lender; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee[s]. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it is an Eligible Assignee, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Sections 5.01(a) and 5.01(b) thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase [the][such] Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase [the][such] Assigned Interest, and (vii) attached to the Assignment and Acceptance is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by [the][such] Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, [the][any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to the [relevant] [Assignor][32] for amounts which have accrued to but excluding the Effective Date and to the [relevant] Assignee for amounts which have accrued from and after the Effective Date. Notwithstanding the foregoing, the Administrative Agent shall make all payments of interest, fees or other amounts paid or payable in kind from and after the Effective Date to the [relevant] Assignee.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by telecopy or other electronic method of transmission shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the law of the State of New York.

[remainder of page intentionally left blank]

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[32] If assignment is being made pursuant to Section 2.23 of the Credit Agreement and the Borrower has made the payments required by such Section, the Assignor's portion of payments in respect of the Assigned Interest shall be payable to the Borrower

EXHIBIT D

FORM OF AMENDED AND RESTATED NOTE

$_____ [Date]

FOR VALUE RECEIVED, the undersigned, AMERICAN WATER CAPITAL CORP., a Delaware corporation (the "***Borrower***"), HEREBY PROMISES TO PAY to [LENDER] (the "***Lender***") on the Termination Date (or, if the Termination Date has been extended and the Lender did not consent thereto, the previously effective Termination Date applicable to the Lender, without giving effect to such extension) the principal sum of _____ DOLLARS ($_____) or, if less, the aggregate unpaid principal amount of all Advances made by the Lender to the Borrower pursuant to the Credit Agreement (as hereinafter defined).

The Borrower promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America, to Wells Fargo Bank, National Association, as Administrative Agent, at its main office in Charlotte, North Carolina, into such account as the Administrative Agent may from time to time designate, in same day funds. Each Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of the principal thereof, shall be recorded by the Lender on the schedule attached hereto, or otherwise recorded in accordance with its usual practice.

This [Amended and Restated] Note is one of the Notes issued pursuant to, and is entitled to the benefits of, the Second Amended and Restated Credit Agreement dated as of March 21, 2018 (the "***Credit Agreement***"), by and among the Borrower, the lenders party thereto, including the Lender, and Wells Fargo Bank, National Association, as Administrative Agent, to which Credit Agreement reference is hereby made for a statement of the terms and conditions governing this [Amended and Restated] Note, including the terms and conditions under which this [Amended and Restated] Note may be prepaid or its maturity date accelerated. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Credit Agreement.

[This Amended and Restated Note amends and restates, and supersedes and replaces, in each case in its entirety, the Note dated as of June 30, 2015 (the "***Original Note***") executed by the Borrower in favor of the Lender in connection with the Amended and Restated Credit Agreement, dated as of June 30, 2015 (the "***Existing Credit Agreement***"), but no novation of the indebtedness outstanding under the Original Note shall be deemed to have occurred by virtue of the amendment and restatement of the Original Note, and none is intended or implied. By execution hereof, the Borrower hereby confirms and reaffirms its continuing liability with respect to such indebtedness.]33

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33 Delete bracketed language if not applicable.

Any assignment of this [Amended and Restated] Note, or any rights or interest herein, may only be made in accordance with the terms and conditions of the Credit Agreement.

This [Amended and Restated] Note shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned has caused this [Amended and Restated] Note to be duly executed as of the date first set forth above.

AMERICAN WATER CAPITAL CORP.

By:_____
Name:
Title:

SCHEDULE OF ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

EXHIBIT E

FORM OF FINANCIAL SERVICES AGREEMENT

THIS FINANCIAL SERVICES AGREEMENT, dated as of [INSERT DATE], by and between [INSERT NAME OF BORROWER] (the "Company") and American Water Capital Corp. ("AWCC") (this "Agreement").

B A C K G R O U N D

The Company currently performs its own financial services.

However, the Company has determined that it can obtain these services more efficiently through the consolidation of certain necessary management and staff functions with those performed for other entities that may enter into agreement with AWCC substantially similar to this one ("Co-Participants").

AWCC is dedicated to performing such consolidated functions.

Accordingly, the parties have determined to enter into this Agreement for the provision of financial services by AWCC to the Company and for the proper determination and allocation of the costs of providing such services.

Therefore, the parties agree as follows:

A G R E E M E N T

1. Services. AWCC will provide, either directly or through arrangements with third parties for the benefit of the Company, such financial services as the Company and AWCC may from time to time agree, including but not limited to those more fully described in Appendix I attached to this Agreement.

2. Costs. In consideration of the provision of the services contemplated by paragraph 1, the Company agrees to pay AWCC a portion of the costs and appropriate overhead incurred by AWCC in providing those services, as follows. The costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among the Co-Participants in proportion to the maximum principal amount that each Co-Participant requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term borrowing by AWCC will be divided among each Co-Participant in proportion to the principal amount of that borrowing that is loaned to that Co-Participant. AWCC's overhead will be allocated among the Co-Participants in the same proportion as each Co-Participant's long-term and maximum, requested short-term borrowings and investments in a calendar year bear to all of the long and maximum short-term borrowings and investments by all Co-Participants during the same year.

3. Statements. AWCC will prepare and deliver to the Company monthly statements of the services provided by AWCC and amounts payable to AWCC, giving effect to all the

provisions of this Agreement. The Company shall pay the net amount shown on its statement within thirty (30) days after the billing date.

4. Inspection. Upon reasonable notice, AWCC will make available to the Company for its inspection AWCC's books, records, bills, accounts and any other documents which describe or support the costs allocated to the Company under this Agreement.

5. Obligations Not Joint. AWCC and the Company expressly agree: (a) that the obligations of the Company and each Co-Participant to AWCC are several and not joint; (b) that the Company will not be responsible to any Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by the Company to AWCC under this Agreement or a promissory note in the form attached to this Agreement; and (c) that no Co-Participant will be responsible to the Company, to any other Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by that Co-Participant to AWCC under any agreement substantially similar to this Agreement or under any note attached to that other agreement. AWCC covenants and agrees that it will require, as a condition to its entering into any such other agreement with a Co-Participant, that such other agreement contains the same provision as that contained in the immediately preceding sentence.

6. Notes. The Company's borrowings under this Agreement will be evidenced by one or more promissory notes in the form of Exhibit A or Exhibit B attached to this Agreement.

7. Non-Exclusivity. Nothing in this Agreement prohibits or restricts the Company from borrowing from third parties, or obtaining services described in this Agreement from third parties, whenever and on whatever terms it deems appropriate.

8. Effectiveness. This Agreement shall be effective as of _____, provided that, if prior approval by the regulatory commission of any jurisdiction is required before this Agreement may become effective as to the Company, or before AWCC may provide a particular service hereunder to the Company, this Agreement shall not be effective as to the Company or as to that service, as the case may be, unless and until the required approval has been obtained. Unless and until this Agreement becomes effective as to the Company in whole or in part, the Company shall not be entitled to the benefits of, nor shall it have any rights or duties under, this Agreement. This Agreement may be amended or rescinded only by written instrument signed by the Company and AWCC.

9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to AWCC; and (b) AWCC may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement will not affect: (a) the Company's obligations under any promissory notes; (b) any party's obligations with respect to any amounts owing under Sections 2 and 3 of this Agreement (including such amounts attributable to obligations of any terminating party under any promissory notes that remain outstanding after this Agreement is terminated as to that party); or (c) AWCC's obligations to repay any investments made by a Company pursuant to Appendix I.

10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

In witness of the foregoing, each of the Company and AWCC has caused its respective corporate seal to be affixed to this Agreement and has caused this Agreement to be signed on its behalf by its duly authorized officers.

ATTEST: [NAME OF COMPANY]

By: _____ By:_____
Title: Name and Title:

ATTEST: AMERICAN WATER CAPITAL CORP.

By: _____ By:_____
Title: Name and Title:

APPENDIX I

DESCRIPTION OF FINANCIAL SERVICES

Set forth below is a list of the services which AWCC agrees to provide to the Company upon its request pursuant to the Agreement to which this Appendix is attached.

1. Short-Term Loans. AWCC will provide Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached to this Agreement as Exhibit A.

2. Long-Term Borrowings. AWCC will provide loans other than Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form in attached hereto as Exhibit B.

3. Cash Management. Cash not required by the Company to pay its daily disbursements or to pay when due the principal of and interest on, the Company's borrowings from AWCC other than Short-Term Loans will be used by AWCC first to reduce the outstanding principal balance of the Company's Short-Term Loans owing to AWCC and any excess will be deemed to be invested with AWCC and will earn a daily rate of interest that is equal to the interest income earned by AWCC on those funds. Upon the request of the Company, AWCC shall execute one or more promissory notes in favor of the Company, in form and substance substantially similar to the promissory note attached as Exhibit A to the Agreement as evidence of such investment.

EXHIBIT A
PROMISSORY NOTE
FOR SHORT-TERM LOANS

$_____ _____, 20__

FOR VALUE RECEIVED, [NAME OF COMPANY], a _____ corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of _____ dollars ($_____) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue), together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Promissory Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Promissory Note is executed. In the absence of manifest error, the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its

property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waivers presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Promissory Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Promissory Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Promissory Note, but this Promissory Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Promissory Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of [____] [__], 20__ between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By:_____
Name and Title:

EXHIBIT B
PROMISSORY NOTE
FOR LONG-TERM BORROWINGS

$_____ _____, 20__

FOR VALUE RECEIVED, [NAME OF COMPANY], a _____ corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at_____ or such other place as Lender may from time to time designate, the principal sum of _____ dollars ($_____), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waivers presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Promissory Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Promissory Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Promissory Note, but this Promissory Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Promissory Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of [___] [__], 20__ between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By:_____
Name and Title:

EXHIBIT F-1

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Second Amended and Restated Credit Agreement dated as of March 21, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"; capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement), by and among American Water Capital Corp., as Borrower, the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent.

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Advance(s) (as well as any Note evidencing such Advance(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. Person status on IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[NAME OF LENDER]

By:_____
Name:
Title:

Date: _____ __, 20[ ]

EXHIBIT F-2

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Second Amended and Restated Credit Agreement dated as of March 21, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"; capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement), by and among American Water Capital Corp., as Borrower, the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent.

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[NAME OF PARTICIPANT]

By:_____
Name:
Title:

Date: _____ __, 20[ ]

EXHIBIT F-3

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Second Amended and Restated Credit Agreement dated as of March 21, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"; capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement), by and among American Water Capital Corp., as Borrower, the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent.

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[NAME OF PARTICIPANT]

By:_____
Name:
Title:

Date: _____ __, 20[ ]

EXHIBIT F-4

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Second Amended and Restated Credit Agreement dated as of March 21, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"; capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement), by and among American Water Capital Corp., as Borrower, the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent.

Pursuant to the provisions of Section 2.17 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Advance(s) (as well as any Note evidencing such Advance(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Advance(s) (as well as any Note evidencing such Advance(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[NAME OF LENDER]

By:_____
Name:
Title:

Date: _____ __, 20[ ]

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Section 1: 8-K (FORM 8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 11, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

INTRODUCTORY NOTE

American Water Works Company, Inc. ("American Water") is filing this Current Report on Form 8-K to:

- report that, on April 11, 2018, American Water entered into:
    - separate forward sale agreements, each as described below and effective as of April 16, 2018, relating to an aggregate of 2,320,000 shares of its common stock, $0.01 par value per share ("Common Stock"); and
    - an underwriting agreement, as described below, related to the public offering and sale of 2,320,000 shares of Common Stock; and
- report that, on April 16, 2018, American Water closed the offering of Common Stock described herein; and
- include, as exhibits, certain documents executed in connection with the sale of Common Stock disclosed herein.

Item 1.01. Entry into a Material Definitive Agreement.

On April 11, 2018, American Water entered into a forward sale agreement with an affiliate of JPMorgan Chase Bank, National Association and a forward sale agreement with Wells Fargo Bank, National Association (each, a "Forward Purchaser"), relating to an aggregate of 2,320,000 shares of Common Stock (each, a "Forward Sale Agreement").

In connection with the Forward Sale Agreements, the Company entered into an Underwriting Agreement (the "Underwriting Agreement") with J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, as the underwriters (the "Underwriters"), J.P. Morgan Securities LLC and Wells Fargo Bank, National Association, as the forward sellers (the "Forward Sellers") and the Forward Purchasers, pursuant to which the Forward Sellers sold to the Underwriters an aggregate of 2,320,000 shares of Common Stock. As contemplated by the Forward Sale Agreements, the Forward Sellers borrowed from third parties all such shares of Common Stock.

Each Forward Sale Agreement provides for settlement on a settlement date or dates to be specified at American Water's discretion on or prior to April 11, 2019. On a settlement date or dates, if American Water decides to physically settle a Forward Sale Agreement, American Water will issue shares of Common Stock to the relevant Forward Purchaser at the then-applicable forward sale price. The forward sale price will initially be $79.36 per share. Each Forward Sale Agreement provides that the initial forward sale price is subject to adjustment on a daily basis based on a floating interest rate factor equal to the federal funds rate less a spread, and will be decreased by an amount per share specified in such Forward Sale Agreement on each of certain dates specified in such Forward Sale Agreement. The forward sale price will also be subject to decrease if the cost to a Forward Seller of borrowing Common Stock exceeds a specified amount. If the federal funds rate is less than the spread on any day, the interest rate factor will result in a daily reduction of the forward sale price for such day.

Except under limited circumstances described below, American Water has the right to elect physical settlement, net share settlement or cash settlement under a Forward Sale Agreement. Although American Water currently intends to elect full physical settlement of each Forward Sale Agreement if American Water successfully completes the previously-announced acquisition (the "Acquisition") of Nicor Energy Services Company, doing business as Pivotal Home Solutions ("Pivotal"), American Water may elect cash settlement or net share settlement for all or a portion of its obligations under a Forward Sale Agreement if American Water concludes that it is in its interest to do so. In the event that American Water elects to cash settle or net share settle a Forward Sale Agreement, the settlement amount for such Forward Sale Agreement will be equal to (1)(a) the adjusted forward sale price, minus (b) the average volume weighted price during the period in which a Forward Purchaser or one of its affiliates closes out its short positions related to a Forward Sale Agreement, multiplied by (2) the number of shares of Common Stock being settled. The settlement amount is also subject to adjustment in respect of any scheduled decrease in the forward sale price per share that occurs before such Forward Purchaser has unwound its hedge. If this settlement amount is a positive number, the relevant Forward Purchaser will pay American Water that amount (in the case of cash settlement) or deliver to American Water a number of shares of Common Stock having a value equal to such amount (in the event of net share settlement). If this settlement amount is a negative number, American Water will pay the relevant Forward Purchaser the absolute value of that amount (in the case of cash settlement) or deliver to such Forward Purchaser a number of shares of Common Stock having a value equal to the absolute value of such amount (in the event of net share settlement).

Each Forward Purchaser will have the right to accelerate its Forward Sale Agreement and require American Water to physically settle its Forward Sale Agreement on a date specified by such Forward Purchaser if:

- in its sole judgment, it or its affiliate is unable to borrow a number of shares of Common Stock equal to the number of shares of Common Stock to be delivered by American Water upon physical settlement of its Forward Sale Agreement or it or its affiliate is unable to borrow such number of shares at a rate equal to or less than an agreed maximum stock loan rate;
- American Water declares any dividend or distribution on its Common Stock (other than an extraordinary dividend) payable in (i) cash in excess of a specified amount, (ii) securities of another company, or (iii) any other type of securities (other than Common Stock), rights, warrants or other assets for payment at less than the prevailing market price, as determined by such Forward Purchaser;

- certain ownership thresholds applicable to such Forward Purchaser are exceeded;
- an event (other than the Acquisition) is announced that, if consummated, would result in an extraordinary event (as defined in the Forward Sale Agreements) including, among other things, certain mergers and tender offers, as well as certain events such as delisting of the Common Stock (each as more fully described in the Forward Sale Agreements); or
- certain other events of default or termination events occur, including, among other things, any material misrepresentation made in connection with entering into its Forward Sale Agreement, American Water's bankruptcy or a change in law (each as more fully described in the Forward Sale Agreements).

The foregoing description of each of the Forward Sale Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of each such Forward Sale Agreement, which are filed as Exhibits 10.1 and 10.2 hereto respectively, and are incorporated by reference herein.

Item 8.01. Other Events.

On April 11, 2018, American Water entered into the Underwriting Agreement with the Underwriters, the Forward Sellers and the Forward Purchasers, related to the registered public offering and sale by the Forward Sellers of 2,320,000 shares of Common Stock that were borrowed and delivered to the Underwriters by the Forward Sellers. On April 16, 2018, the Forward Purchasers sold to the Underwriters 2,320,000 shares of Common Stock in connection with the Forward Sale Agreements. This Current Report on Form 8-K is being filed, in part, to report the closing of the offering described herein, and to include, as exhibits, certain documents executed in connection with the sale of the Common Stock.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2017, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions, taxes, permitting and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; limitations on the availability of our water supplies or sources of water, or restrictions on our use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, water quality and emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; the outcome of litigation and similar governmental proceedings, investigations or actions, including matters related to the Freedom Industries chemical spill in West Virginia and the preliminarily approved global class action settlement agreement related to this chemical spill; our ability to appropriately maintain current infrastructure, including our operational and information technology ("IT") systems, and manage the expansion of our business; exposure or infiltration of our critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber attacks or other means; our ability to obtain permits and other approvals for projects; changes in our capital requirements; our ability to control operating expenses and to achieve efficiencies in our operations; the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers; our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations; our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses; risks and uncertainties associated with contracting with the U.S. government, including

ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of our operations; our ability to maintain safe work sites; our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water service and management solutions that are focused on customers in the natural gas exploration and production market; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on us or our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements; changes in federal or state general, income and other tax laws, including any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the Tax Cuts and Jobs Act, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. federal and state income tax net operating loss carryforwards; migration of customers into or out of our service territories; the use by municipalities of the power of eminent domain or other authority to condemn our systems, or the assertion by private landowners of similar rights against us; the difficulty or inability to obtain insurance, our inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or an inability to obtain reimbursement under existing insurance programs for any losses sustained; the incurrence of impairment charges related to our goodwill or other assets; labor actions, including work stoppages and strikes; the ability to retain and attract qualified employees; civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; the impact of new, and changes to existing, accounting standards; obtaining regulatory approvals and consents required to complete, and satisfying other conditions to the closing of, the Acquisition; our ability to finance the purchase price of the Acquisition; the occurrence of the benefits and synergies expected or predicted to occur as a result of the completion of the Acquisition; unexpected costs, liabilities or delays associated with the Acquisition or the integration of Pivotal; the timing and method of settlement of the Forward Sale Agreements; and the amount and intended use of any proceeds received from the settlement of such Forward Sale Agreements.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in our annual and quarterly filings with the Securities and Exchange Commission (the "SEC"), and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date this Current Report on Form 8-K is filed with the SEC. We do not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been filed herewith:

Exhibit No.	Description of Exhibit
1.1	Underwriting Agreement, dated April 11, 2018, by and among American Water, the Underwriters, the Forward Sellers and the Forward Purchasers.
5.1	Opinion of Morgan, Lewis & Bockius LLP.
10.1	Confirmation of Forward Sale Transaction, dated April 11, 2018, among American Water and JPMorgan Chase Bank, National Association, and J.P. Morgan Securities LLC, solely as agent.
10.2	Confirmation of Forward Sale Transaction, dated April 11, 2018, between American Water and Wells Fargo Bank, National Association.
23.1	Consent of Morgan, Lewis & Bockius LLP (included in Exhibit 5.1).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: April 16, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-1.1 (EX-1.1)

Exhibit 1.1

Execution Version

American Water Works Company, Inc.
1025 Laurel Oak Road
Voorhees, New Jersey 08043

2,320,000 Shares of Common Stock

Underwriting Agreement

April 11, 2018

J.P. Morgan Securities LLC,
as Underwriter
383 Madison Avenue
New York, New York 10179

Wells Fargo Securities, LLC,
as Underwriter
375 Park Avenue, 2nd Floor
New York, New York 10152

Ladies and Gentlemen:

1. American Water Works Company, Inc., a Delaware corporation (the "**Company**"), and J.P. Morgan Securities LLC in its capacity as agent for an affiliate of a Forward Purchaser (as defined below) and Wells Fargo Bank, National Association (each in such capacity, a "**Forward Seller**", and collectively, the "**Forward Sellers**"), at the request of the Company in connection with the Forward Agreements (as defined below), confirm their respective agreements with J.P. Morgan Securities LLC and Wells Fargo Securities, LLC (the "**Underwriters**"), with respect to (a) the sale by the Forward Sellers of an aggregate of 2,320,000 shares of Common Stock, par value $0.01 per share (the "**Common Stock**"), of the Company, and the purchase by the Underwriters, acting severally and not jointly, of the respective shares of Common Stock set forth in Schedule I (subject in each case to reduction for any Standby Underwritten Shares (as defined in Section 13(a) hereof) issued and sold by the Company pursuant to Section 13(a) hereof) (the "**Borrowed Underwritten Shares**") and (b) the purchase by the Underwriters and the sale by the Company of any Standby Underwritten Shares.

The Borrowed Underwritten Shares and the Standby Underwritten Shares are herein referred to collectively as the "**Underwritten Shares**." As used herein, "**Forward Agreements**" means the letter agreements dated the date hereof between the Company and each of JPMorgan Chase Bank, National Association, London Branch and Wells Fargo Bank, National Association (each a

"**Forward Purchaser**", and collectively, the "**Forward Purchasers**") relating to the forward sale by the Company, subject to the Company's right to elect cash settlement or net share settlement of such agreement, of a number of shares of Common Stock equal to the number of Borrowed Underwritten Shares sold by the Forward Sellers pursuant to this Agreement.

2. The Company represents and warrants to, and agrees with, each of the Underwriters, the Forward Sellers and the Forward Purchasers that:

(a) An "automatic shelf registration statement" as defined under Rule 405 under the Securities Act of 1933, as amended (the "**Act**"), on Form S-3 (File Nos. 333-203949) in respect of the Underwritten Shares has been filed with the Securities and Exchange Commission (the "**Commission**") not earlier than three years prior to the date hereof; such registration statement, and any post-effective amendment thereto, each in a form heretofore delivered to the Underwriters, became effective on filing; and no stop order suspending the effectiveness of such registration statement or any part thereof has been issued and, to the Company's knowledge, no proceeding for that purpose has been initiated or threatened by the Commission, and no notice of objection of the Commission to the use of such registration statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act has been received by the Company (the base prospectus filed as part of such registration statement, in the form in which it has most recently been filed with the Commission on or prior to the date of this Agreement, is hereinafter called the "**Basic Prospectus**"; any preliminary prospectus (including any preliminary prospectus supplement) relating to the Underwritten Shares filed with the Commission pursuant to Rule 424(b) under the Act is hereinafter called a "**Preliminary Prospectus**"; the various parts of such registration statement, including all exhibits thereto but excluding the Form T-1 and including any prospectus supplement relating to the Underwritten Shares that is filed with the Commission and deemed by virtue of Rule 430B to be part of such registration statement, each as amended at the time such part of the registration statement became effective, are hereinafter collectively called the "**Registration Statement**"; the Basic Prospectus, as amended and supplemented immediately prior to the Applicable Time (as defined in Section 2(c) hereof), is hereinafter called the "**Pricing Prospectus**"; the final prospectus relating to the Underwritten Shares filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 7(a) hereof is hereinafter called the "**Prospectus**"; any reference herein to the Basic Prospectus, the Pricing Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act as of the date of such prospectus; any reference to any amendment or supplement to the Basic Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any post-effective amendment to the Registration Statement, any prospectus supplement relating to the Underwritten Shares filed with the Commission pursuant to Rule 424(b) under the Act and any documents filed

under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and incorporated therein, in each case after the date of the Basic Prospectus, such Preliminary Prospectus, or the Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any "issuer free writing prospectus" as defined in Rule 433 under the Act relating to the Underwritten Shares is hereinafter called an "**Issuer Free Writing Prospectus**");

(b) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission. Each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act, and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however,* that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters, the Forward Sellers or the Forward Purchasers expressly for use therein (the "**Underwriter Information**");

(c) For the purposes of this Agreement, the "**Applicable Time**" is 4:15 p.m., Eastern time, on the date of this Agreement. The Pricing Prospectus, when considered together with the information on Schedule IV hereto (collectively, the "**Pricing Disclosure Package**"), as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Free Writing Prospectus listed on Schedule II hereto does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each such Issuer Free Writing Prospectus, taken together with the Pricing Disclosure Package as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however,* that the representations and warranties in this clause (c) shall not apply to statements or omissions made in an Issuer Free Writing Prospectus in reliance upon and in conformity with the Underwriter Information;

(d) The documents incorporated by reference in the Pricing Prospectus and the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and

regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however,* that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(e) The interactive data in eXtensible Business Reporting Language filed as exhibits to the reports included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto;

(f) (i) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and (ii) the Registration Statement and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus do not and will not, as of the applicable effective date as to each part of the Registration Statement and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(g) The financial statements (including the related notes thereto) of the Company and its consolidated subsidiaries included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus comply in all material respects with the applicable requirements of the Act and the Exchange Act, as applicable, and present fairly the financial condition of the Company and its consolidated subsidiaries as of the dates indicated and the results of their operations and the changes in their cash flows for the periods specified; such financial statements have been prepared in conformity with generally accepted accounting principles ("**GAAP**") in the United States applied on a consistent basis throughout the periods covered thereby, and any supporting schedules included or incorporated by reference in the Registration Statement present fairly the information required to be stated

therein; the other financial information included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus has been derived from the accounting records of the Company and its consolidated subsidiaries and presents fairly the information shown thereby; and all disclosures included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of Commission) comply in all material respects with Item 10(e) of Regulation S-K under the Act and the Exchange Act, to the extent applicable;

(h) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, (A) none of the Company or any of its subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and which could reasonably be expected to, in each case, individually or in the aggregate, have a material adverse effect on the financial condition, stockholders' equity, properties or results of operations of the Company and its subsidiaries, taken as a whole (a "**Material Adverse Effect**"); and (B) no labor dispute with the employees of the Company or any its subsidiaries exists or, to the knowledge of the Company, is imminent, which could reasonably be expected to result in a Material Adverse Effect; and (ii) since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, otherwise than as set forth or contemplated in the Pricing Prospectus, there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Company or increase in consolidated long-term debt of the Company and its consolidated subsidiaries, or (B) any change, or any development involving a prospective change, in or affecting the general affairs, management, financial condition, stockholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Pricing Prospectus, that could reasonably be expected to have a Material Adverse Effect;

(i) The Company and each of its subsidiaries has good and sufficient title to all real property and personal property owned by them sufficient for the conduct of their respective businesses, in each case free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus or such as do not affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and each of its subsidiaries except, in each case, as would not, individually or in the aggregate, have a Material Adverse Effect; and any real property and buildings held under lease by the Company and each of its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and each of its subsidiaries, otherwise than as set forth or contemplated in the Pricing Prospectus or as would not, individually or in the aggregate, have a Material Adverse Effect;

(j) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, have a Material Adverse Effect; and each subsidiary of the Company listed on Schedule III hereto (each a "**Significant Subsidiary**") has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, except where the failure to be in good standing would not, individually or in the aggregate, have a Material Adverse Effect;

(k) All of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable; and all of the issued shares of capital stock of each Significant Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and (except for directors' qualifying shares and except as otherwise set forth in the Pricing Prospectus) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for liens, encumbrances, equities or claims that would not, individually or in the aggregate, have a Material Adverse Effect;

(l) The Company has the corporate power and authority to execute and deliver this Agreement and the Forward Agreements and to perform its obligations hereunder and thereunder; and all action required to be taken for the due and proper authorization, execution and delivery by it of this Agreement and the Forward Agreements and the consummation by it of the transactions contemplated thereby has been duly and validly taken;

(m) This Agreement has been duly authorized, executed and delivered by the Company; the Forward Agreements have been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding agreement of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or by equitable principles relating to enforceability; the Standby Underwritten Shares, if any, to be issued and sold by the Company hereunder have been duly authorized and, when issued and delivered and paid for as provided herein, will be duly and validly issued, will be fully paid and nonassessable and will conform to the descriptions thereof in the Registration Statement, the Pricing Disclosure Package and the Prospectus, and the issuance of such Standby

Underwritten Shares is not subject to any preemptive or similar rights; the shares of Common Stock deliverable to the Forward Purchasers pursuant to the Forward Agreements, whether pursuant to Physical Settlement (as defined in each Forward Agreement), as a result of an Acceleration Event (as defined in each Forward Agreement) or otherwise, have been duly authorized and reserved for issuance and, when issued and delivered by the Company to each Forward Purchaser pursuant to its respective Forward Agreement against payment of the consideration set forth therein, will be duly and validly issued, will be fully paid and nonassessable and the issuance thereof will not be subject to any preemptive or similar rights; and the Underwritten Shares and each Forward Agreement will conform to the descriptions thereof in the Pricing Prospectus and the Prospectus;

(n) None of the transactions contemplated by this Agreement or the Forward Agreements (including, without limitation, the use of the proceeds from the issuance, sale and delivery of the Standby Underwritten Shares, if any, or the proceeds due upon settlement of the Forward Agreements, if any) will violate or result in a violation of Section 7 of the Exchange Act, or any regulation promulgated thereunder, including, without limitation, Regulations T, U, and X of the Board of Governors of the Federal Reserve System;

(o) The issuance, sale and delivery of the Standby Underwritten Shares, if any, the issuance, sale and delivery of the Common Stock upon settlement of each Forward Agreement, if any, and the compliance by the Company with the provisions of the Forward Agreements and this Agreement and the consummation of the transactions herein and therein contemplated (i) will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, and (ii) will not result in any violation of (A) the provisions of the Restated Certificate of Incorporation or the Amended and Restated Bylaws of the Company or (B) any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, except in the case of clauses (i) and (ii)(B) for any conflict, breach, violation or default that would not, individually or in the aggregate, have a Material Adverse Effect or impair the ability of the Company to consummate the transactions contemplated by this Agreement; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Underwritten Shares or the consummation by the Company of the transactions contemplated by this Agreement or the Forward Agreements, except (i) the registration under the Act of the Underwritten Shares, (ii) such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the

Underwritten Shares by the Underwriters and (iii) such consents, approvals, authorizations, orders, registrations or qualifications that have already been obtained or the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or impair the ability of the Company to consummate the transactions contemplated by this Agreement;

(p) None of the Company or any of its subsidiaries is (A) in violation of the Restated Certificate of Incorporation or the Amended and Restated Bylaws, in the case of the Company, or similar organizational documents, in the case of the Company's subsidiaries, or (B) in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or to which it or any of its properties is subject, except in the case of clause (A) (with respect to subsidiaries of the Company other than the Significant Subsidiaries) and clause (B), for defaults that would not, individually or in the aggregate, have a Material Adverse Effect;

(q) The statements set forth in the Pricing Prospectus and Prospectus under the caption "Description of American Water's Capital Stock", insofar as they purport to constitute a summary of the terms of the Underwritten Shares, under the caption "Underwriting", insofar as they purport to describe the provisions of the documents described therein, and under the caption "Certain United States Federal Income Tax Considerations for Non-U.S. Holders", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects;

(r) Other than as set forth in the Pricing Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any its subsidiaries is the subject which would reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(s) The Company is not and, as a result of and after giving effect to (i) the offering and sale of the Standby Underwritten Shares, if any, and the application of the proceeds thereof and (ii) the issuance, sale and delivery of Common Stock upon settlement of the Forward Agreements and the application of the proceeds thereof, if any, upon such settlement, will not be, an "investment company", as such term is defined in the Investment Company Act of 1940, as amended (the "**Investment Company Act**");

(t) (A) (i) At the time of filing the Registration Statement, (ii) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the

Exchange Act or form of prospectus), and (iii) at the time the Company or any person acting on the Company's behalf (within the meaning, for this clause only, of Rule 163(c) under the Act) made any offer relating to the Underwritten Shares in reliance on the exemption of Rule 163 under the Act, the Company was a "well-known seasoned issuer" as defined in Rule 405 under the Act; and (B) at the earliest time after the filing of the Registration Statement that the Company or another offering participant made a bona fide offer (within the meaning of Rule 164 (h)(2) under the Act) of the Underwritten Shares, the Company was not an "ineligible issuer" as defined in Rule 405 under the Act;

(u) PricewaterhouseCoopers LLP, which has certified certain financial statements of the Company and its subsidiaries, is an independent registered public accounting firm with respect to the Company and its subsidiaries as required by the Act and the rules and regulations of the Commission thereunder;

(v) Except as disclosed in the Pricing Prospectus, the Company maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that complies in all material respects with the requirements of the Exchange Act and has been designed by the Company's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Except as disclosed in the Pricing Prospectus, the Company's internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting;

(w) Except as disclosed in the Pricing Prospectus, since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;

(x) The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply in all material respects with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Company and each of its subsidiaries is made known to the Company's principal executive officer and principal financial officer by others within those entities; and, except as disclosed in the Pricing Prospectus, such disclosure controls and procedures are effective;

(y) The Company and each of its subsidiaries possess all permits, licenses, franchises, authorizations, registrations, qualifications and approvals of governmental or regulatory authorities as required of them to own their

properties and conduct their businesses in the manner described in the Pricing Prospectus (collectively, "**Permits**"), except where the failure to possess such Permits would not, individually or in the aggregate, have a Material Adverse Effect; and the Company and each of its subsidiaries have fulfilled and performed all of their obligations with respect to such Permits required to have been performed, and no event has occurred which allows or, after notice or lapse of time or both, would allow revocation or termination thereof or result in any other material impairment of the rights of the holder of any such Permit, except, in each case, as disclosed in the Pricing Prospectus or would not, individually or in the aggregate, have a Material Adverse Effect;

(z) To the Company's knowledge, the Company and each of its subsidiaries own, possess or have the right to employ sufficient patents, patent rights, licenses, inventions, copyrights, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, software, systems or procedures), trademarks, service marks and trade names, inventions, computer programs, technical data and information (collectively, the "**Intellectual Property Rights**") reasonably necessary to conduct their businesses as now conducted, except where the failure to own, possess or have the right would not, individually or in the aggregate, have a Material Adverse Effect. None of the Company or any of its subsidiaries has received any notice of infringement or conflict with asserted rights of others with respect to any of the Intellectual Property Rights, whether or not arising from transactions in the ordinary course of business, except for such infringements or conflicts that would not, individually or in the aggregate, have a Material Adverse Effect. To the Company's knowledge, the use of the Intellectual Property Rights in connection with the business and operations of the Company and each of its subsidiaries does not infringe on the rights of any person;

(aa) Except as disclosed in the Pricing Prospectus, or as would not, individually or in the aggregate, have a Material Adverse Effect, none of the Company or any of its subsidiaries (i) is in violation of any law, statute, or any rule, regulation, decision or order of any governmental agency or body or any court relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**Environmental Laws**"), (ii) owns or operates any real property which, to the Company's knowledge, is contaminated with any substance that is regulated under any Environmental Laws, (iii) is, to the Company's knowledge, liable for any off-site disposal or contamination pursuant to any Environmental Laws, or (iv) has received any written notice of any claim under any Environmental Laws, and the Company is not aware of any pending investigation which could reasonably be expected to lead to such a claim;

(bb) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are, in management's judgment, prudent and customary in the

businesses in which they are engaged; within the past five years, none of the Company or any such subsidiary has been refused any insurance coverage sought or applied for; and none of the Company or any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not, individually or in the aggregate, have a Material Adverse Effect, except, in each case, as set forth in or contemplated in the Pricing Prospectus;

(cc) The Company has not taken or will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Underwritten Shares;

(dd) The Company is in compliance in all material respects with all provisions of the Sarbanes-Oxley Act of 2002 that are effective and applicable to the Company as of the date hereof;

(ee) The Company and each of its subsidiaries have filed all federal, state and foreign tax returns, or have filed for extensions of the due dates of such returns, required to be filed and have paid all taxes shown as due thereon except where the failure to so file such returns would not, individually or in the aggregate, have a Material Adverse Effect; and other than tax deficiencies which the Company or any of its subsidiaries is contesting in good faith and for which the Company or any of its subsidiaries has provided adequate reserves, there is no tax deficiency that has been asserted in writing against the Company or any of its subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect; and the United States federal income tax returns of the Company and each of its subsidiaries through the fiscal year ended December 31, 2013 have been settled and no assessment in connection therewith has been made against the Company or any of its subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect;

(ff) None of the Company or any of its subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is aware of or has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment;

(gg) The operations of the Company and each of its subsidiaries are and have been conducted at all times in compliance in all material respects with applicable financial recordkeeping and reporting requirements of the Currency

and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened; and

(hh) None of the Company, any of its subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds, to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

Any certificate signed by any authorized officer of the Company and delivered to the Underwriters or counsel for the Underwriters in connection with the offering of the Underwritten Shares shall be deemed a representation and warranty by the Company, as to matters covered thereby, to each Underwriter.

3. Each Forward Seller represents and warrants to, and agrees with, each of the Underwriters and the Company that:

(a) This Agreement has been duly authorized, executed and delivered by such Forward Seller and, at the Time of Delivery (as defined below), such Forward Seller will have full right, power and authority to sell, transfer and deliver the Borrowed Underwritten Shares to be sold by such Forward Seller hereunder;

(b) Each Forward Agreement has been duly authorized, executed and delivered by the respective Forward Purchaser and constitutes a valid and binding agreement of such Forward Purchaser, enforceable against the Forward Purchaser in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or by equitable principles relating to enforceability; and

(c) Each Forward Seller will, at the Time of Delivery, have the free and unqualified right to transfer the Borrowed Underwritten Shares to be sold by such Forward Seller hereunder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind; and upon delivery of such Borrowed Underwritten Shares and payment of the purchase price therefor as herein contemplated, assuming each of the

Underwriters has no notice of any adverse claim, each of the Underwriters will have the free and unqualified right to transfer any such Borrowed Underwritten Shares purchased by it from the Forward Sellers, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind.

4. (a) Subject to the terms and conditions herein set forth, each of the Forward Sellers (with respect to the Borrowed Underwritten Shares) and the Company (with respect to any Standby Underwritten Shares) agrees to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Forward Sellers or the Company, as applicable, at a purchase price of $79.36, the number of Underwritten Shares set forth opposite their respective names in Schedule I hereto.

(b) If any of the conditions to effectiveness set forth in Section 3 of the Forward Agreements are not satisfied on or prior to the Time of Delivery, each Forward Seller, in its sole judgment, may choose not to borrow and deliver for sale the Borrowed Underwritten Shares to be sold by such Forward Seller hereunder. In addition, in the event that, in the commercially reasonable judgment of the Forward Purchaser, its affiliated Forward Seller is unable to borrow and deliver for sale under this Agreement all of the Borrowed Underwritten Shares to be sold by such Forward Seller hereunder, then such Forward Seller shall only be required to deliver for sale the aggregate number of shares of Common Stock that such Forward Seller is able to so borrow.

(c) If, pursuant to Section 4(b) hereof, a Forward Seller does not borrow and deliver for sale to the Underwriters at the Time of Delivery the number of Borrowed Underwritten Shares deliverable by such Forward Seller pursuant to this Agreement, then such Forward Seller will use its commercially reasonable efforts to notify the Company no later than 5:00 p.m., Eastern time, on the New York Business Day immediately prior to the Time of Delivery. For the purposes of this Agreement, "**New York Business Day**" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

5. The Company understands that the Underwriters intend to make a public offering of the Underwritten Shares, and to offer the Underwritten Shares as described in the Prospectus.

6. (a) The Underwritten Shares to be purchased by each Underwriter hereunder, in uncertificated form, will be deposited by or on behalf of the Forward Sellers (with respect to the Borrowed Underwritten Shares) or the Company (with respect to any Standby Underwritten Shares) with The Depository Trust Company ("**DTC**") or its designated custodian. The Forward Sellers (with respect to the Borrowed Underwritten Shares) or the Company (with respect to any Standby Underwritten Shares) will deliver the Underwritten Shares to the

Underwriters, against payment by or on behalf of the Underwriters of the purchase price therefor by wire transfer of Federal (same day) funds, by causing DTC to credit the Underwritten Shares to the account of the Underwriters at DTC. The time and date of such delivery and payment shall be 9:30 a.m., Eastern time, on April 16, 2018 or such other time and date as the Underwriters and the Company may agree upon in writing. Such time and date is herein called the "**Time of Delivery**".

(b) The documents to be delivered at the Time of Delivery by or on behalf of the parties hereto pursuant to Section 10 hereof, including the cross receipt for the Underwritten Shares and any additional documents requested by the Underwriters pursuant to Section 10 hereof, will be delivered at the office of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004 (the "**Closing Location**"), and the Underwritten Shares will be delivered through the facilities of DTC, all at the Time of Delivery. A meeting will be held at the Closing Location at 2:00 p.m., Eastern time, on the New York Business Day next preceding the Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto.

7. The Company agrees with each of the Underwriters, the Forward Sellers and the Forward Purchasers:

(a) To prepare the Prospectus in a form approved by the Underwriters and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement and to make no further amendment or any supplement to the Registration Statement, the Basic Prospectus or the Prospectus prior to the Time of Delivery without the consent of the Underwriters promptly after reasonable notice thereof (which consent shall not be unreasonably withheld); to advise the Underwriters, the Forward Sellers and the Forward Purchasers, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish the Underwriters, the Forward Sellers and the Forward Purchasers with copies thereof; to file promptly all other material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required in connection with the offering or sale of the Underwritten Shares; to advise the Underwriters, the Forward Sellers and the Forward Purchasers, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Underwritten Shares, of any notice of

objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act, of the suspension of the qualification of the Underwritten Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order; and in the event of any such issuance of a notice of objection, promptly to take such steps including, without limitation, amending the Registration Statement or filing a new registration statement, at its own expense, as may be necessary to permit offers and sales of the Underwritten Shares by the Underwriters (references herein to the Registration Statement shall include any such amendment or new registration statement);

(b) If by the third anniversary (the "**Renewal Deadline**") of the initial effective date of the Registration Statement, any of the Underwritten Shares remain unsold by the Underwriters, the Company will file, if it has not already done so and is eligible to do so, a new automatic shelf registration statement relating to the Underwritten Shares, in a form satisfactory to the Underwriters. If at the Renewal Deadline the Company is no longer eligible to file an automatic shelf registration statement, the Company will, if it has not already done so, file a new shelf registration statement relating to the Underwritten Shares, in a form satisfactory to the Underwriters and will use its best efforts to cause such registration statement to be declared effective within 180 days after the Renewal Deadline. The Company will take all other action necessary or appropriate to permit the public offering and sale of the Underwritten Shares to continue as contemplated in the expired registration statement relating to the Underwritten Shares. References herein to the Registration Statement shall include such new automatic shelf registration statement or such new shelf registration statement, as the case may be;

(c) Promptly from time to time to take such action as the Underwriters may reasonably request to qualify the Underwritten Shares for offering and sale under the securities laws of such U.S. jurisdictions as the Underwriters may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Underwritten Shares; *provided* that in connection therewith the Company shall not be required to qualify as a foreign corporation or as a dealer in securities or to file a general consent to service of process or subject itself to taxation for doing business in any jurisdiction;

(d) To use reasonable efforts to furnish to the Underwriters, the Forward Sellers and the Forward Purchasers as soon as practicable after the date of this Agreement but no later than 5:30 p.m., Eastern time, on the second New York Business Day immediately succeeding the date of this Agreement

and from time to time, with printed and electronic copies of the Prospectus in such quantities as the Underwriters, the Forward Sellers and the Forward Purchasers may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is, based on advice of counsel, required at any time during the period from the time of issue of the Prospectus until the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Underwritten Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, to notify the Underwriters, the Forward Sellers and the Forward Purchasers and upon the request of the Underwriters, the Forward Sellers and the Forward Purchasers to file such document and to prepare and furnish without charge to each Underwriter, the Forward Sellers and the Forward Purchasers and to any dealer in securities as many printed and electronic copies as the Underwriters, the Forward Sellers and the Forward Purchasers may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales of any of the Underwritten Shares at any time nine months or more after the time of issue of the Prospectus, at the expense of such Underwriter, to prepare and deliver to such Underwriter as many printed and electronic copies as such Underwriter may request of an amended or supplemented Prospectus complying with Section 10 (a)(3) of the Act;

(e) To make generally available to its securityholders as soon as practicable, but in any event not later than sixteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(f) During the period beginning from the date hereof and continuing to and including the date 30 days after the date of the Prospectus, not to (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with, or submit to, the Commission a registration statement under the Act relating to any shares of Common Stock or any securities convertible into or exercisable or

exchangeable for Common Stock, or publicly disclose the intention to make any offer, sale, pledge, disposition, submission or filing or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, without the prior written consent of the Underwriters, other than (1) the Underwritten Shares to be sold hereunder, (2) any shares of Common Stock upon settlement of a Forward Agreement, (3) in connection with any employee or director benefit or compensation, dividend reinvestment and direct stock purchase, stock option or other incentive or stock purchase plan of the Company and its subsidiaries and (4) any shares of Common Stock issued upon the exercise of options granted under the stock-based compensation plans of the Company and its subsidiaries. In addition, the foregoing shall not affect the ability of the Company and American Water Capital Corp. ("**AWCC**") to file a new shelf registration statement on or after April 30, 2018;

(g) [Reserved];

(h) To use the net proceeds received by it from (i) the sale of the Standby Underwritten Shares, if any, pursuant to this Agreement and (ii) the sale of Common Stock upon settlement of the Forward Agreements, if any, in the manner specified in the Pricing Prospectus under the caption "Use of Proceeds";

(i) To pay the required Commission filing fees relating to the Underwritten Shares within the time required by Rule 456(b)(1) under the Act without regard to the proviso therein and otherwise in accordance with Rules 456(b) and 457(r) under the Act; and

(j) Upon request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Company's trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Underwritten Shares (the "**License**"); *provided*, *however*, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred.

8. (a) (i) The Company represents and agrees that, without the prior written consent of the Underwriters, it has not made and will not make any offer relating to the Underwritten Shares that would constitute a "free writing prospectus" as defined in Rule 405 under the Act; (ii) each Underwriter represents and agrees that, without the prior written consent of the Company, it has not made and will not make any offer relating to the Underwritten Shares that would constitute a free writing prospectus; and (iii) any such free writing prospectus the use of which has been consented to by the Company and the Underwriters is listed on Schedule II hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show; and

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus any event occurred or occurs as a result of which such Issuer Free Writing Prospectus would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or, when taken together with the Pricing Prospectus, would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Underwriters and, if requested by the Underwriters, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus or other document which will correct such conflict, statement or omission; *provided, however,* that this representation and warranty shall not apply to any statements or omissions in an Issuer Free Writing Prospectus made in reliance upon and in conformity with the Underwriter Information.

9. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Underwritten Shares under the Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any agreement among Underwriters, this Agreement, the Forward Agreements, any Blue Sky survey, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Underwritten Shares; (iii) all expenses in connection with the qualification of the Underwritten Shares for offering and sale under state securities laws as provided in Section 7(c) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with any Blue Sky survey; (iv) all fees and expenses in connection with any listing of Standby Underwritten Shares and any shares issuable pursuant to the Forward Agreements on the New York Stock Exchange; (v) the cost of preparing any stock certificates; (vi) the costs and charges of any transfer agent or registrar; and (vii) all other costs and expenses incident to the performance of its obligations hereunder and under the Forward Agreements which are not otherwise specifically provided for in this Section; *provided, however,* that reimbursements to the Underwriters, if any, shall be limited to expenses actually incurred and *provided further* that in the case of clause (iii), the Company shall not be requested to cover expenses of counsel for the Underwriters in excess of $5,000 in the aggregate.

10. The obligations of the Underwriters to purchase the Underwritten Shares at the Time of Delivery and the obligations of the Forward Sellers to deliver and sell the Borrowed Underwritten Shares at the Time of Delivery to the Underwriters hereunder shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company herein are, at and as of the Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 7(a) hereof; any other material required to be filed by the Company pursuant to Rule 433(d) under the Act shall have been filed with the Commission within the applicable time period prescribed for such filings by Rule 433; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission and no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act shall have been received; no stop order suspending or preventing the use of the Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Underwriters;

(b) Sullivan & Cromwell LLP, counsel for the Underwriters, the Forward Sellers and the Forward Purchasers, shall have furnished to the Underwriters, the Forward Sellers and the Forward Purchasers such written opinions, dated the Time of Delivery, in form and substance satisfactory to the Underwriters, the Forward Sellers and the Forward Purchasers, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Morgan, Lewis & Bockius LLP, counsel for the Company, shall have furnished to the Underwriters, the Forward Sellers and the Forward Purchasers their written opinion and 10b-5 statement, each dated the Time of Delivery, in the form attached as Annexes IIA and IIB hereto;

(d) Jeffrey M. Taylor, Chief SEC & Corporate Governance Counsel and Assistant Secretary of the Company, shall have furnished to the Underwriters, the Forward Sellers and the Forward Purchasers his written opinion, dated the Time of Delivery, in the form attached as Annex III hereto;

(e) (i) On the date of this Agreement, (ii) on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and (iii) at the Time of Delivery, PricewaterhouseCoopers LLP shall have furnished to the Underwriters, the Forward Sellers and the Forward Purchasers a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Underwriters, the Forward Sellers and the Forward Purchasers, to the effect set forth in Annex I hereto;

(f) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, none of the Company or any of its subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree and (ii) since the date as of which information is given in the Pricing Prospectus there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Company or increase in consolidated long-term debt of the Company and its consolidated subsidiaries, or (B) any change, or any development involving a prospective change, in or affecting the general affairs, management, financial condition, stockholders' equity or results of operations of the Company and its subsidiaries, otherwise, in any such case described in clause (i) or (ii), than as set forth or contemplated in the Pricing Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Underwriters so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Underwritten Shares on the terms and in the manner contemplated in the Prospectus;

(g) On or after the Applicable Time (i) no downgrading shall have occurred in the rating accorded AWCC's debt securities by S&P Global Ratings, a division of S&P Global Inc. or Moody's Investors Service, Inc., each a "nationally recognized statistical rating organization", as that term is defined by Section 3(a)(62) of the Exchange Act, and (ii) neither such organization shall have publicly announced (other than any announcement made prior to the Applicable Time) that it has under surveillance or review, with possible negative implications, its rating of any of AWCC's debt securities;

(h) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities declared by Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (v) the occurrence of any other calamity or crisis or any change in financial, political or

economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in the judgment of the Underwriters makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Underwritten Shares on the terms and in the manner contemplated in the Prospectus;

(i) The Standby Underwritten Shares, if any, to be issued and sold by the Company hereunder at the Time of Delivery, and the shares of Common Stock reserved upon issuance upon Physical Settlement, acceleration or otherwise under the Forward Agreements shall have been approved for listing on the New York Stock Exchange, subject to official notice of issuance;

(j) The "lock-up" agreements, each substantially in the form of Annex IV hereto, between the Underwriters and each of the executive officers and directors of the Company specified on Schedule I to Annex IV relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to the Underwriters on or before the date hereof, shall be full force and effect at the Time of Delivery; and

(k) The Company shall have furnished or caused to be furnished to the Underwriters, the Forward Sellers and the Forward Purchasers at the Time of Delivery certificates of officers of the Company reasonably satisfactory to the Underwriters, the Forward Sellers and the Forward Purchasers as to the accuracy of the representations and warranties of the Company herein at and as of the Time of Delivery, as to the performance by the Company of all their respective obligations hereunder to be performed at or prior to the Time of Delivery, as to the matters set forth in subsections (a), (f) and (g) of this Section and as to such other matters as the Underwriters, the Forward Sellers and the Forward Purchasers may reasonably request.

11. (a) The Company will indemnify and hold harmless each Underwriter, the Forward Sellers and the Forward Purchasers against any losses, claims, damages or liabilities, joint or several, to which such Underwriter, the Forward Sellers and the Forward Purchasers may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus or any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Act, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter, the Forward Sellers and the Forward Purchasers for any legal or other expenses reasonably incurred by such Underwriter, the Forward Sellers and the Forward Purchasers in connection with investigating or defending any such action or claim as such expenses are

incurred; *provided, however,* that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information.

(b) Each Underwriter will, severally and not jointly, indemnify and hold harmless the Company, the Forward Sellers and the Forward Purchasers against any losses, claims, damages or liabilities, joint or several, to which the Company, the Forward Sellers and the Forward Purchasers may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Company, the Forward Sellers and the Forward Purchasers for any legal or other expenses reasonably incurred by the Company, the Forward Sellers and the Forward Purchasers in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying

party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ one separate counsel, and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate firm (in addition to one local counsel in each jurisdiction) if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) in an action where both the indemnifying and the indemnified party are actual or potential defendants, the indemnified party shall have reasonably concluded that there are actual or potential conflicting interests between the indemnifying party and the indemnified party, including situations in which there may be one or more legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. No indemnified party shall, without the written consent of the indemnifying party (such consent not to be unreasonably withheld), effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder.

(d) If the indemnification provided for in this Section 11 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters, the Forward Sellers and the Forward Purchasers on the other from the offering of the Underwritten Shares.

If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters, the Forward Sellers and the Forward Purchasers on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters, the Forward Sellers and the Forward Purchasers on the other shall be deemed to be in the same proportion as (i) in the case of the Company, the total net proceeds from the offering (before deducting expenses) received by the Company (which benefits shall include the proceeds to be received by the Company pursuant to the Forward Agreements, assuming full Physical Settlement (as defined in each Forward Agreement) of the Forward Agreements), (ii) in the case of the Underwriters, the total underwriting discounts and commissions received by the Underwriters and (iii) in the case of the Forward Sellers and the Forward Purchasers, the aggregate Spread (as defined in each Forward Agreement) received by the Forward Purchasers under the Forward Agreements, bear to the aggregate offering price of the Underwritten Shares. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriter Information on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Underwriters, the Forward Sellers and the Forward Purchasers agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters, the Forward Sellers and the Forward Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter, Forward Seller or Forward Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Common Stock underwritten by it and distributed to the public were offered to the public and the aggregate Spread received by the Forward Purchasers under the Forward Agreements, exceeds the amount of any damages which such Underwriter, Forward Seller or Forward Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of

fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 11 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to the directors, officers, employees and agents of each Underwriter, the Forward Sellers and the Forward Purchasers and to each person, if any, who controls any Underwriter, Forward Seller and Forward Purchaser within the meaning of the Act and each broker-dealer affiliate of any Underwriter; and the obligations of the Underwriters under this Section 11 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer, director and employee of the Company and to each person, if any, who controls the Company within the meaning of the Act.

12. (a) If either Underwriter shall default in its obligation to purchase the Underwritten Shares which it has agreed to purchase hereunder, the non-defaulting Underwriter may in its discretion arrange for another party or other parties to purchase such Underwritten Shares on the terms contained herein. If within thirty-six hours after such default the non-defaulting Underwriter does not arrange for the purchase of such Underwritten Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to the non-defaulting Underwriter to purchase such Underwritten Shares on such terms. In the event that, within the respective prescribed periods, the non-defaulting Underwriter notifies the Company that it has so arranged for the purchase of such Underwritten Shares, or the Company notifies the non-defaulting Underwriter that it has so arranged for the purchase of such Underwritten Shares, the non-defaulting Underwriter, the Forward Sellers or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to prepare promptly any amendments to the Registration Statement or the Prospectus which in the opinion of the non-defaulting Underwriter or the Forward Sellers may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Underwritten Shares.

(b) If no arrangements for the purchase of the Underwritten Shares of a defaulting Underwriter can be made as contemplated by subsection (a) above, then this Agreement shall thereupon terminate without liability on the part of the non-defaulting Underwriter, the Forward Sellers, the Forward

Purchasers or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 9 hereof and the indemnity and contribution agreements in Section 11 hereof; but nothing herein shall relieve the defaulting Underwriter from liability for its default.

13. (a) In the event that (i) any of the conditions to effectiveness set forth in Section 3 of the Forward Agreements is not satisfied on or prior to the Time of Delivery, and a Forward Seller elects, pursuant to Section 4(b) hereof, not to deliver the Borrowed Underwritten Shares to be sold by such Forward Seller hereunder or (ii) in the commercially reasonable judgment of a Forward Purchaser, its affiliated Forward Seller is unable to borrow and deliver for sale pursuant to this Agreement all of the Borrowed Underwritten Shares to be sold by such Forward Seller hereunder, then, in each case, the Company shall issue and sell to the Underwriters, pursuant to Section 4 hereof, in whole but not in part, a number of shares of Common Stock equal to the number of Borrowed Underwritten Shares that such Forward Seller does not so deliver and sell to the Underwriters. In connection with any such issuance and sale by the Company under this Section 13(a), the Underwriters shall have the right to postpone the Time of Delivery for a period not exceeding one New York Business Day in order to effect any required changes in any documents or arrangements. The shares of Common Stock sold by the Company to the Underwriters pursuant to this Section 13(a) in lieu of Borrowed Underwritten Shares are referred to herein as the "**Standby Underwritten Shares**."

(b) Each Forward Seller shall have no liability whatsoever for any Borrowed Underwritten Shares that such Forward Seller does not deliver to the Underwriters if (i) any of the conditions to effectiveness set forth in Section 3 of the Forward Agreements has not been satisfied on or prior to the Time of Delivery, and such Forward Seller elects, pursuant to Section 4(b) hereof, not to deliver and sell to the Underwriters the Borrowed Underwritten Shares or (ii) such Forward Seller is unable to borrow and deliver for sale pursuant to this Agreement on or prior to the Time of Delivery all of the Borrowed Underwritten Shares that it is required to deliver hereunder.

14. The respective indemnities, agreements, representations, warranties and other statements of the Company, the several Underwriters and the Forward Sellers, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or the Forward Sellers or any controlling person of any Underwriter, the Forward Sellers, the Company, or any officer or director or controlling person of the Company and shall survive delivery of and payment for the Underwritten Shares.

15. If for any reason, other than a default by the Underwriters in their obligation to purchase the Underwritten Shares or a default by a Forward Purchaser under its respective Forward Agreement, any Underwritten Shares are

not delivered as provided herein, the Company will reimburse the Underwriters, the Forward Sellers and the Forward Purchasers through the Underwriters for all reasonable expenses approved in writing by the Underwriters, including reasonable fees and disbursements of counsel, incurred by the Underwriters, the Forward Sellers and the Forward Purchasers in making preparations for the purchase, sale and delivery of the Underwritten Shares not so delivered, but the Company shall then be under no further liability to the Underwriters except as provided in Sections 9 and 11 hereof.

16. [Reserved].

17. All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail or facsimile transmission to: J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179, Attention: Equity Syndicate Desk, Fax: (212) 622-8358 or Wells Fargo Securities, LLC, 375 Park Avenue, New York, New York 10152, Attention: Equity Syndicate Desk, Fax: (212) 214-5918; and if to the Company shall be delivered or sent by mail to the address of the Company set forth in the Registration Statement or facsimile transmission to (856) 346-5899, Attention: Michael A. Sgro, Senior Vice President, General Counsel and Secretary. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

18. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

19. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Forward Sellers, the Forward Purchasers and the Company and, to the extent provided in Sections 11 and 14 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Underwritten Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

20. Time shall be of the essence of this Agreement. As used herein, the term "**business day**" shall mean any day when the Commission's office in Washington, D.C. is open for business.

21. The Company acknowledges and agrees that (i) each of the purchase and sale of the Standby Underwritten Shares, if any, pursuant to this Agreement and the issuance, sale and delivery of the Common Stock upon

settlement of the Forward Agreements, if any, is an arm's-length commercial transaction between the Company, on the one hand, and the several Underwriters or the Forward Purchasers, as applicable, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter, Forward Seller and Forward Purchaser is acting solely as a principal and not as an agent or fiduciary of the Company, (iii) none of the Underwriters, the Forward Sellers or the Forward Purchasers has assumed an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter, Forward Seller or Forward Purchaser has advised or is currently advising the Company) or any other obligation to the Company except the obligations expressly set forth in this Agreement and (iv) the Company has consulted its own legal and financial advisors to the extent they deemed appropriate. The Company agrees that it will not claim that the Underwriters, the Forward Sellers or the Forward Purchasers, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company, in connection with such transaction or the process leading thereto.

22. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company, the Underwriters, the Forward Sellers and the Forward Purchasers or any of them other than the Forward Agreements, with respect to the subject matter hereof.

23. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

24. The Company and each of the Underwriters, the Forward Sellers and the Forward Purchasers hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

25. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

26. Notwithstanding anything herein to the contrary, the Company is authorized to disclose to any persons the tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Company relating to that treatment and structure, without the Underwriters, the Forward Sellers or the Forward Purchasers imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, "**tax treatment**" means U.S. Federal and State income tax treatment, and "**tax structure**" is limited to any facts that may be relevant to that treatment.

If the foregoing is in accordance with your understanding, please sign and return to the Company five counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters and the Forward Purchasers, this letter, and such acceptance hereof shall constitute a binding agreement between each of the Underwriters, the Forward Sellers and the Forward Purchasers and the Company.

Very truly yours,

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ Charles Witherspoon
Name: Charles Witherspoon
Title: Vice President and Treasurer

J.P. MORGAN SECURITIES LLC,
as a Forward Seller

By: /s/ Alaoui Zenere
Name: Alaoui Zenere
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Forward Seller

By: /s/ Thomas Yates
Name: Thomas Yates
Title: Managing Director

Accepted as of the date hereof:

J.P. MORGAN SECURITIES LLC

By: /s/ Alaoui Zenere
Name: Alaoui Zenere
Title: Vice President

J.P. MORGAN SECURITIES LLC, as agent for JPMorgan Chase Bank, National Association

Accepted in JPMorgan Chase Bank, National Association, London Branch's capacity as Forward Purchaser, solely as recipient and/or beneficiary of certain representations, warranties, covenants and indemnities set forth in this Agreement.

By: /s/ Alaoui Zenere
Name: Alaoui Zenere
Title: Vice President

WELLS FARGO SECURITIES, LLC

By: /s/ Richard Tobin
Name: Richard Tobin
Title: Managing Director

WELLS FARGO BANK, NATIONAL ASSOCIATION

Accepted in its capacity as Forward Purchaser, solely as recipient and/or beneficiary of certain representations, warranties, covenants and indemnities set forth in this Agreement.

By: /s/ Thomas Yates
Name: Thomas Yates
Title: Managing Director

SCHEDULE I

	Number of Underwritten Shares
J.P. Morgan Securities LLC	1,160,000
Wells Fargo Securities, LLC	1,160,000
Total	2,320,000

SCHEDULE II

NetRoadshow dated April 11, 2018.

SCHEDULE III

Significant Subsidiaries of the Company

New Jersey-American Water Company, Inc.
Pennsylvania-American Water Company
Missouri-American Water Company
Illinois-American Water Company

SCHEDULE IV

The number of Underwritten Shares and, as to each investor, the price paid by such investor.

ANNEX IV

FORM OF LOCK-UP AGREEMENT

April , 2018

J.P. MORGAN SECURITIES LLC
383 Madison Avenue
New York, NY 10179

and

WELLS FARGO SECURITIES, LLC
375 Park Avenue, 2nd Floor
New York, NY 10152

Re: American Water Works Company, Inc. — Public Offering

Ladies and Gentlemen:

The undersigned understands that J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, as Underwriters (together, the "**Underwriters**"), propose to enter into an underwriting agreement (the "**Underwriting Agreement**") with American Water Works Company, Inc., a Delaware corporation (the "**Company**"), the Forward Sellers (as defined therein) and the Forward Purchasers (as defined therein), providing for the public offering (the "**Public Offering**") by the Underwriters, of shares of common stock, par value $0.01 per share, of the Company (the "**Common Stock**"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Underwriting Agreement.

In consideration of the Underwriters' agreement to make the Public Offering , and for other good and valuable consideration receipt of which is hereby acknowledged, the undersigned hereby agrees that, without the prior written consent of the Underwriters, the undersigned will not, during the period beginning on the date of this letter agreement (this "**Letter Agreement**") and ending 30 days after the date of the prospectus relating to the Public Offering (the "**Prospectus**") (such period, the "**Restricted Period**"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (including without limitation, Common Stock or such other securities which may be deemed to be beneficially owned by the undersigned in accordance with the

rules and regulations of the Securities and Exchange Commission and securities which may be issued upon exercise of a stock option or warrant), or publicly disclose the intention to make any offer, sale, pledge or disposition, (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, or (3) make any demand for or exercise any right with respect to the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock, in each case other than transfers of shares of Common Stock as a bona fide gift or gifts; *provided* that in the case of any such transfer, each donee or distributee shall execute and deliver to the Underwriters a lock-up letter in the form of this paragraph; and *provided, further*, that in each such case, no filing by any party (donor, donee, transferor or transferee) under the Securities Exchange Act of 1934, as amended, or other public announcement shall be required or shall be made voluntarily in connection with such transfer or distribution (other than a filing on a Form 5 made after the expiration of the Restricted Period referred to above).

In furtherance of the foregoing, the Company, and any duly appointed transfer agent for the registration or transfer of the securities described herein, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Letter Agreement.

All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned understands that, if the Underwriting Agreement does not become effective by April 20, 2018, or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Common Stock to be sold thereunder, the undersigned shall be released from all obligations under this Letter Agreement. The undersigned understands that the Underwriters are entering into the Underwriting Agreement and proceeding with the Public Offering in reliance upon this Letter Agreement.

This Letter Agreement and any claim, controversy or dispute arising under or related to this Letter Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,

_____

Name:

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Section 3: EX-5.1 (EX-5.1)

Morgan Lewis

Exhibit 5.1

April 16, 2018

American Water Works Company, Inc.
1025 Laurel Oak Road
Voorhees, New Jersey 08043

Ladies and Gentlemen:

We have acted as counsel to American Water Works Company, Inc., a Delaware corporation (the "Company"), in connection with the offering of 2,320,000 shares of common stock, $0.01 par value, of the Company ("Common Stock").

We have participated in the preparation of or reviewed (1) the Registration Statement on Form S-3 (Registration No. 333-203949) (the "Registration Statement"), which Registration Statement was filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"); (2) the prospectus dated May 7, 2015 (the "Base Prospectus"), forming a part of the Registration Statement, as supplemented by a prospectus supplement dated April 11, 2018 (the "Prospectus Supplement"), both such prospectus and prospectus supplement filed pursuant to Rule 424(b) under the Securities Act; (3) the Underwriting Agreement, dated April 11, 2018 (the "Underwriting Agreement"), by and among the Company, J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, as the underwriters, J.P. Morgan Securities LLC and Wells Fargo Bank, National Association, as the forward sellers, and JPMorgan Chase Bank, National Association and Wells Fargo Bank, National Association, as the forward purchasers (the "Forward Purchasers"); (4) the "Forward Sale Agreements" meaning (i) the forward sale agreement, dated April 11, 2018, by and among the Company, JPMorgan Chase Bank, National Association, and J.P. Morgan Securities LLC, as agent, and (ii) the forward sale agreement, dated April 11, 2018, by and between the Company and Wells Fargo Bank, National Association; (5) the restated certificate of incorporation of the Company; (6) the amended and restated bylaws of the Company; and (7) such other corporate records, certificates and other documents and such questions of law as we have considered necessary or appropriate for the purposes of this opinion.

Based on the foregoing, we are of the opinion that any shares of Common Stock that may be issued and delivered to the Forward Purchasers by the Company pursuant to the Forward Sale Agreements, when issued and delivered by the Company against payment of the consideration set forth therein, will be validly issued, fully paid and non-assessable.

Morgan, Lewis & Bockius LLP

101 Park Avenue
New York, NY 10178-0060
United States

+1.215.309.6000
+1.215.309.6001

In rendering the foregoing opinion, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of the documents submitted to us as originals, the conformity with the originals of all documents submitted to us as certified, facsimile or photostatic copies and the authenticity of the originals of all documents submitted to us as copies.

We hereby consent to the reference to us under the heading "Legal Matters" in each of the Base Prospectus and the Prospectus Supplement, to the references to us in the Registration Statement, including under the heading "Legal Matters" in the Base Prospectus, and to the filing of this opinion as an exhibit to the Company's Current Report on Form 8-K to be filed on or about the date hereof, which will be incorporated by reference in the Registration Statement. In giving the foregoing consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

This opinion is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the federal laws of the United States insofar as they bear on matters covered hereby.

Very truly yours,

/s/ Morgan, Lewis & Bockius LLP

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Section 4: EX-10.1 (EX-10.1)

Exhibit 10.1

Execution Version

J.P.Morgan

April 11, 2018

To: **American Water Works Company, Inc.**
1025 Laurel Oak Road
Voorhees, NJ 08043

From: **JPMorgan Chase Bank, National Association**
125 London Wall
London EC2Y 5AJ
England

From: **J.P. Morgan Securities LLC,**
Solely as Agent
tel: (212) 622-5270
fax: (212) 622-0105

Dear Sirs,

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the transaction entered into between us on the Trade Date specified below (the "Transaction"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

1. The definitions and provisions contained in the 2000 ISDA Definitions (the "2000 Definitions") and the 2002 ISDA Equity Derivatives Definitions (the "2002 Definitions" and, together with the 2000 Definitions, the "Definitions"), each as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the 2002 Definitions and the 2000 Definitions, the 2002 Definitions will govern. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

   Each party further agrees that this Confirmation together with the Agreement (defined below) evidence a complete binding agreement between Party A and Party B as to the subject matter and terms of the Transaction to which this Confirmation relates, and shall supersede all prior or contemporaneous written or oral communications with respect thereto. This Confirmation shall supplement, form a part of, and be subject to an agreement in the form of the 2002 ISDA Master Agreement (the "Agreement") as if Party A and Party B had executed an

agreement in such form on the Trade Date (but without any Schedule except for the election of the laws of the State of New York as the governing law), and *provided* that in no event shall Party B be required to pay an additional amount to Party A under Section 2(d)(i)(4) of the Agreement in respect of any distribution or deemed distribution with respect to the Shares. In the event of any

JPMorgan Chase Bank, National Association
Organised under the laws of the United States as a National Banking Association.
Main Office 1111 Polaris Parkway, Columbus, Ohio 43240
Registered as a branch in England & Wales branch No. BR000746
Registered Branch Office 25 Bank Street, Canary Wharf, London E14 5JP
Authorised by the Office of the Comptroller of the Currency in the jurisdiction of the USA.
Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

inconsistency between provisions of the Agreement and this Confirmation, this Confirmation will prevail for the purpose of the Transaction to which this Confirmation relates. The parties hereby agree that no Transaction other than the Transaction to which this Confirmation relates shall be governed by the Agreement. For purposes of the 2002 Definitions, the Transaction is a Share Forward Transaction.

Party A and Party B each represents to the other that it has entered into the Transaction in reliance upon such tax, accounting, regulatory, legal, and financial advice as it deems necessary and not upon any view expressed by the other.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Party A:	JPMorgan Chase Bank, National Association, London Branch
Party B:	American Water Works Company, Inc.
Trade Date:	April 11, 2018
Effective Date:	April 16, 2018
Base Amount:	Initially, 1,160,000 Shares. On each Settlement Date, the Base Amount shall be reduced by the number of Settlement Shares for such Settlement Date.
Maturity Date:	April 11, 2019 (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day).
Forward Price:	On the Effective Date, the Initial Forward Price, and on any other day, the Forward Price as of the immediately preceding calendar day multiplied by the sum of (i) 1 *and* (ii) the Daily Rate for such day; *provided* that on each Forward Price Reduction Date, the Forward Price in effect on such date shall be the Forward Price otherwise in effect on such date, *minus* the Forward Price Reduction Amount for such Forward Price Reduction Date.
Initial Forward Price:	$79.36 per Share.
Daily Rate:	For any day, (i)(A) USD-Federal Funds Rate for such day, *minus* (B) the Spread, *divided by* (ii) 365.
USD-Federal Funds Rate	For any day, the rate set forth for such day opposite the caption “Federal funds”, as such rate is displayed on the page “OBFR01 <Index> <GO>” on the BLOOMBERG Professional Service, or any successor page; *provided* that if no rate appears for any day on such page, the rate for the immediately preceding day for which a rate appears shall be used for such day.
Spread:	0.75%

Forward Price Reduction Date:	Each date (other than the Trade Date) set forth on Schedule I under the caption "Forward Price Reduction Date."
Forward Price Reduction Amount:	For each Forward Price Reduction Date, the Forward Price Reduction Amount set forth opposite such date on Schedule I. No Forward Price Reduction Amount for a Forward Price Reduction Date shall be applied to reduce the Forward Price more than once.
Shares:	Common stock, $0.01 par value per share, of Party B (also referred to herein as the "Issuer") (Exchange identifier: "AWK").
Exchange:	The New York Stock Exchange.
Related Exchange(s):	All Exchanges.
Clearance System:	DTC.
Calculation Agent:	Party A; *provided* that following the occurrence and during the continuation of an Event of Default with respect to Party A, Party B may designate a nationally or internationally recognized third-party dealer with expertise in over-the-counter corporate equity derivatives that is not an Affiliate of Party B to replace Party A as Calculation Agent. Any determination or calculation by the Calculation Agent in such capacity shall be made in good faith and in a commercially reasonable manner. Following any determination or calculation by Party A as Calculation Agent, upon a written request by Party B, the Calculation Agent will provide to Party B, by e-mail to the e-mail address provided by Party B in such written request, a report (in a commonly used file format for the storage and manipulation of financial data) displaying, in reasonable detail, the basis for such determination or calculation, it being understood that the Calculation Agent shall not be obligated to disclose any proprietary models or other confidential or proprietary information used by it for such determination or calculation.

Settlement Terms:

Settlement Date:	Any Scheduled Trading Day following the Effective Date and up to and including the Maturity Date, as designated by (a) Party A pursuant to "Termination Settlement" below or (b) Party B in a written notice (a "Settlement Notice") that satisfies the Settlement Notice Requirements and is delivered to Party A at least (i) two Scheduled Trading Days prior to such Settlement Date, which may be the Maturity Date, if Physical Settlement applies, and (ii) nine Scheduled Trading

	Days prior to such Settlement Date, which may be the Maturity Date, if Cash Settlement or Net Share Settlement applies; *provided* that (i) the Maturity Date shall be a Settlement Date if on such date the Base Amount is greater than zero, (ii) if Physical Settlement applies and a Settlement Date specified above (including a Settlement Date occurring on the Maturity Date) is not a Clearance System Business Day, the Settlement Date shall be the next following Clearance System Business Day, and (iii) if Cash Settlement or Net Share Settlement applies and Party A shall have fully unwound its hedge during an Unwind Period by a date that is more than two Scheduled Trading Days prior to a Settlement Date specified above, Party A may, by written notice to Party B, specify any Scheduled Trading Day prior to such originally specified Settlement Date as the Settlement Date.
Settlement Shares:	With respect to any Settlement Date, a number of Shares, not to exceed the Base Amount, designated as such by Party B in the related Settlement Notice or by Party A pursuant to "Termination Settlement" below; *provided* that on the Maturity Date the number of Settlement Shares shall be equal to the Base Amount on such date.
Settlement:	Physical Settlement, Cash Settlement or Net Share Settlement, at the election of Party B as set forth in a Settlement Notice delivered on or after the Effective Date that satisfies the Settlement Notice Requirements; *provided* that Physical Settlement shall apply (i) if no Settlement Method is validly selected, (ii) with respect to any Settlement Shares in respect of which Party A is unable, in its judgment, to unwind its hedge by the end of the Unwind Period in a manner that, in the judgment of Party A, is consistent with the requirements for qualifying for the safe harbor provided by Rule 10b-18 under the Exchange Act or due to the lack of sufficient liquidity in the Shares on any Exchange Business Day during the Unwind Period or (iii) to any Termination Settlement Date (as defined below under "Termination Settlement"). With respect to any Settlement Date (x) in respect of which Cash Settlement applies, Party A shall be deemed to have completed unwinding its hedge in respect of the portion of the Transaction to be settled on such Settlement Date when it purchases (or, to the extent applicable, unwinds derivative positions (including, but not limited to, swaps or options related to the Shares) resulting in Party A's synthetic purchase of) an aggregate number of Shares equal to the number of Settlement Shares for such Settlement Date; and (y) in respect of which Net Share Settlement applies, Party A shall be deemed to have completed unwinding its hedge in respect of the portion of this Transaction to be settled on such Settlement Date when it purchases (or, to the extent applicable, unwinds derivative positions (including, but not limited to, swaps or options related to the Shares) resulting in Party A's synthetic

	purchase of) an aggregate number of Shares having an aggregate purchase price equal to the Net Share Purchase Price for such Settlement Date.
Settlement Notice Requirements:	Notwithstanding any other provision hereof, a Settlement Notice delivered by Party B that specifies Cash Settlement or Net Share Settlement will not be effective to establish a Settlement Date or require Cash Settlement or Net Share Settlement unless Party B delivers to Party A with such Settlement Notice a representation signed by Party B substantially in the following form: "As of the date of this Settlement Notice, Party B is not aware of any material nonpublic information concerning itself or the Shares, and is designating the date contained herein as a Settlement Date and is electing Cash Settlement or Net Share Settlement, as the case may be, in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws."
Unwind Period:	Subject to the provisions below under the caption "Other Forward", each Exchange Business Day that is not a Suspension Day during the period from and including the first Exchange Business Day following the date Party B validly elects Cash Settlement or Net Share Settlement in respect of a Settlement Date through the second Scheduled Trading Day preceding such Settlement Date (or the immediately preceding Exchange Business Day if such Scheduled Trading Day is not an Exchange Business Day); subject to "Termination Settlement" below. If any Exchange Business Day during an Unwind Period is a Disrupted Day, the Calculation Agent shall make commercially reasonable adjustments to the terms of the Transaction (including, without limitation, the Cash Settlement Amount, the number of Net Share Settlement Shares and the 10b-18 VWAP) to account for the occurrence of such Disrupted Day.
Suspension Day:	Any Exchange Business Day on which Party A determines based on the advice of counsel that Cash Settlement or Net Share Settlement may violate applicable securities laws. Party A shall notify Party B if it receives such advice from its counsel.
Market Disruption Event:	Section 6.3(a)(ii) of the 2002 Definitions is hereby amended by replacing clause (ii) in its entirety with "(ii) an Exchange Disruption, or" and inserting immediately following clause (iii) the phrase "; in each case that the Calculation Agent determines is material."
Exchange Act:	The Securities Exchange Act of 1934, as amended from time to time.
Physical Settlement:	On any Settlement Date in respect of which Physical Settlement applies, Party B shall deliver to Party A through the

	Clearance System the Settlement Shares for such Settlement Date, and Party A shall deliver to Party B, by wire transfer of immediately available funds to an account designated by Party B, an amount in cash equal to the Physical Settlement Amount for such Settlement Date, on a delivery versus payment basis. If, on any Settlement Date, the Shares to be delivered by Party B to Party A hereunder are not so delivered (the "Deferred Shares"), and a Forward Price Reduction Date occurs during the period from, and including, such Settlement Date to, but excluding, the date such Shares are actually delivered to Party A, then the portion of the Physical Settlement Amount payable by Party A to Party B in respect of the Deferred Shares shall be reduced by an amount equal to the Forward Price Reduction Amount for such Forward Price Reduction Date, *multiplied by* the number of Deferred Shares.
Physical Settlement Amount:	For any Settlement Date in respect of which Physical Settlement applies, an amount in cash equal to the product of (i) the Forward Price on such Settlement Date and (ii) the number of Settlement Shares for such Settlement Date.
Cash Settlement:	On any Settlement Date in respect of which Cash Settlement applies, if the Cash Settlement Amount for such Settlement Date is a positive number, Party A will pay such Cash Settlement Amount to Party B. If the Cash Settlement Amount is a negative number, Party B will pay the absolute value of such Cash Settlement Amount to Party A. Such amounts shall be paid on the Settlement Date.
Cash Settlement Amount:	For any Settlement Date in respect of which Cash Settlement applies, an amount determined by the Calculation Agent equal to the difference between (1) the product of (i) (A) the average Forward Price over the period beginning on, and including, the date that is one Settlement Cycle following the first day of the applicable Unwind Period and ending on, and including, such Settlement Date (calculated assuming no reduction to the Forward Price for the Forward Price Reduction Date if it occurs during the Unwind Period, except as set forth in clause (2) below), *minus* USD 0.01 *minus* (B) the average of the 10b-18 VWAP prices per Share on each Exchange Business Day during such Unwind Period, and (ii) the number of Settlement Shares for such Settlement Date and (2) the product of (i) the Forward Price Reduction Amount for the Forward Price Reduction Date if it occurs during such Unwind Period, and (ii) the number of Settlement Shares with respect to which Party A has not unwound its hedge as of such Forward Price Reduction Date.
Net Share Settlement:	On any Settlement Date in respect of which Net Share Settlement applies, if the number of Net Share Settlement Shares is a (i) negative number, Party A shall deliver a number of Shares to Party B equal to the absolute value of the Net Share Settlement Shares, or (ii) positive number, Party B shall

	deliver to Party A the Net Share Settlement Shares; *provided* that if Party A determines in its good faith judgment that it would be required to deliver Net Share Settlement Shares to Party B, Party A may elect to deliver a portion of such Net Share Settlement Shares on one or more dates prior to the applicable Settlement Date.
Net Share Settlement Shares:	For any Settlement Date in respect of which Net Share Settlement applies, a number of Shares equal to (a) the number of Settlement Shares for such Settlement Date, minus (b) the number of Shares Party A actually purchases during the applicable Unwind Period for a total purchase price (the "Net Share Purchase Price") equal to the difference between (1) the product of (i) the average Forward Price during the applicable Unwind Period (calculated assuming no reduction to the Forward Price for any Forward Price Reduction Date that occurs during the Unwind Period, except as set forth in clause (2) below) *minus* USD 0.01, and (ii) the number of Settlement Shares for such Settlement Date, and (2) the product of (i) the Forward Price Reduction Amount for any Forward Price Reduction Date that occurs during such Unwind Period and (ii) the number of Shares with respect to which Party A has not unwound its hedge as of such Forward Price Reduction Date.
10b-18 VWAP:	For any Exchange Business Day during the Unwind Period which is not a Suspension Day, the volume-weighted average price at which the Shares trade as reported in the composite transactions for the Exchange on such Exchange Business Day, excluding (i) trades that do not settle regular way, (ii) opening (regular way) reported trades on the Exchange on such Exchange Business Day, (iii) trades that occur in the last ten minutes before the scheduled close of trading on the Exchange on such Exchange Business Day and ten minutes before the scheduled close of the primary trading session in the market where the trade is effected, and (iv) trades on such Exchange Business Day that do not satisfy the requirements of Rule 10b-18(b)(3), as determined in good faith by the Calculation Agent. Party B acknowledges that Party A may refer to the Bloomberg Page "AWK <Equity> AQR SEC" (or any successor thereto), in its discretion, for such Exchange Business Day to determine the 10b-18 VWAP.
Settlement Currency:	USD.
Failure to Deliver:	Inapplicable.

Adjustments:

Potential Adjustment Event:	The definition of "Potential Adjustment Event" shall not include clause (iii) thereof. Notwithstanding Section 11.2(e)(v) of the 2002 Definitions, the following repurchases of Shares, to the extent applicable, shall not be considered to be a Potential Adjustment Event: (i) Shares withheld from employees of Party B or its Affiliates to pay certain withholding taxes upon the vesting of Share awards or options granted to such employees under compensation plans of Party B; and (ii) Shares purchased in connection with the reinvestment of dividends by recipients of Share awards under Party B's compensation plans; and (iii) Up to 1,000,000 Shares purchased subsequent to the Trade Date under Party B's publicly announced share repurchase program.
Method of Adjustment:	Calculation Agent Adjustment; notwithstanding anything in the 2002 Definitions to the contrary, the Calculation Agent may make an adjustment pursuant to Calculation Agent Adjustment to any one or more of the Base Amount, the Forward Price and any other variable relevant to the settlement or payment terms of the Transaction.
Additional Adjustment:	If, in Party A's sole judgment, the stock loan fee to Party A (or an affiliate thereof), excluding the federal funds rate component payable by the relevant stock lender to Party A or such affiliate (the "Stock Loan Fee"), over any 30 consecutive day period, of borrowing a number of Shares equal to the Base Amount to hedge its exposure to the Transaction exceeds a weighted average rate equal to the rate specified on Schedule I hereto, the Calculation Agent shall reduce the Forward Price in order to compensate Party A for the amount by which the Stock Loan Fee exceeded a weighted average rate equal to such rate during such period. The Calculation Agent shall notify Party B prior to making any such adjustment to the Forward Price and, upon the request of Party B, Party A shall provide an itemized list of the Stock Loan Fee for the applicable 30 consecutive day period.

Account Details:

Payments to Party A:	To be advised under separate cover or telephone confirmed prior to each Settlement Date.
Payments to Party B:	To be advised under separate cover or telephone confirmed prior to each Settlement Date.
Delivery of Shares to Party A:	To be advised.
Delivery of Shares to Party B:	To be advised.
Offices: The Office of Party A for the Transaction is:	London
The Office of Party B for the Transaction is:	Inapplicable, Party B is not a Multibranch Party.

3. Other Provisions:

Conditions to Effectiveness:

The effectiveness of this Confirmation on the Effective Date shall be subject to (i) the condition that the representations and warranties of Party B contained in the Underwriting Agreement dated the date hereof among Party B and J.P. Morgan Securities LLC and Wells Fargo Securities, LLC (the "Underwriting Agreement") and any certificate delivered pursuant thereto by Party B are true and correct or, as provided in the Underwriting Agreement or such certificate, true and correct in all material respects on the Effective Date as if made as of the Effective Date, (ii) the condition that Party B has performed all of the obligations required to be performed by it under the Underwriting Agreement on or prior to the Effective Date, (iii) the satisfaction of all of the conditions set forth in Section 10 of the Underwriting Agreement, (iv) the condition that the Underwriting Agreement shall not have been terminated pursuant to Section 12 and the condition that Section 13 thereof does not apply and (v) the condition that neither of the following has occurred (A) Party A (or its affiliate) is unable to borrow and deliver for sale a number of Shares equal to the Base Amount, or (B) in Party A's sole judgment Party A (or its affiliate) would incur a Stock Loan Fee of more than a rate equal to the rate set forth on Schedule I hereto to do so (in which event this Confirmation shall be effective but the Base Amount for the Transaction shall be the number of Shares Party A (or an affiliate thereof) is required to deliver in accordance with Section 4(b) of the Underwriting Agreement).

Representations and Agreements of Party B:

Party B (i) has such knowledge and experience in financial and business affairs as to be capable of evaluating the merits and risks of entering into the Transaction; (ii) has consulted with its own legal, financial, accounting and tax advisors in connection with the Transaction; and (iii) is entering into the Transaction for a bona fide business purpose.

Party B is not and has not been the subject of any civil proceeding of a judicial or administrative body of competent jurisdiction that could reasonably be expected to impair materially Party B's ability to perform its obligations hereunder.

Party B will by the next succeeding New York Business Day notify Party A upon obtaining knowledge of the occurrence of any event that would constitute an Event of Default or a Potential Adjustment Event.

Additional Representations, Warranties and Agreements of Party B: Party B hereby represents and warrants to, and agrees with, Party A as of the date hereof that:

(a) Any Shares, when issued and delivered in accordance with the terms of the Transaction, will be duly authorized and validly issued, fully paid and nonassessable, and the issuance thereof will not be subject to any preemptive or similar rights.

(b) Party B has reserved and will keep available at all times, free from preemptive rights, out of its authorized but unissued Shares, solely for the purpose of issuance upon settlement of the Transaction as herein provided, the full number of Shares as shall be issuable at such time upon settlement of the Transaction. All Shares so issuable shall, upon such issuance, be accepted for listing or quotation on the Exchange.

(c) Party B agrees to provide Party A at least five Exchange Business Days' written notice (an "Issuer Repurchase Notice") prior to executing any repurchase of Shares by Party B or any of its subsidiaries (or entering into any contract that would require, or give the option to, Party B or any of its subsidiaries, to purchase or repurchase Shares), whether out of profits or capital or whether the consideration for such repurchase is cash, securities or otherwise (an "Issuer Repurchase"), that alone or in the aggregate would result in the Base Amount Percentage (as defined below) being greater by 0.5% or more than the Base Amount Percentage at the time of the immediately preceding Issuer Repurchase Notice (or in the case of the first such Issuer Repurchase Notice, greater than the Base Amount Percentage as of the later of the date hereof or the immediately preceding Settlement Date, if any). The "Base Amount Percentage" as of any day is the fraction (1) the numerator of which is the Base Amount and (2) the denominator of which is the number of Shares outstanding on such day.

(d) No filing with, or approval, authorization, consent, license registration, qualification, order or decree of, any court or governmental authority or agency, domestic or foreign, is necessary or required for the execution, delivery and performance by Party B of this Confirmation and the consummation of the Transaction (including, without limitation, the issuance and delivery of Shares on any Settlement Date) except (i) such as have been obtained under the Securities Act of 1933, as amended (the "Securities Act"), and (ii) as may be required to be obtained under state securities laws.

(e) Party B agrees not to make any Issuer Repurchase if, immediately following such Issuer Repurchase, the Base Amount Percentage would be equal to or greater than 7.5%.

(f) Party B is not insolvent, nor will Party B be rendered insolvent as a result of the Transaction.

(g) Neither Party B nor any of its affiliates shall take or refrain from taking any action (including, without limitation, any direct purchases by Party B or any of its affiliates or any purchases by a party to a derivative transaction with Party B or any of its affiliates), either under this Confirmation, under an agreement with another party or otherwise, that might cause any purchases of Shares by Party A or any of its affiliates in connection with any Cash Settlement or Net Share Settlement of the Transaction not to meet the requirements of the safe harbor provided by Rule 10b-18 under the Exchange Act if such purchases were made by Party B.

(h) Party B will not engage in any "distribution" (as defined in Regulation M under the Exchange Act ("Regulation M")) that would cause a "restricted period" (as defined in Regulation M) to occur during any Unwind Period.

(i) Party B is an "eligible contract participant" (as such term is defined in Section 1a(18) of the Commodity Exchange Act, as amended).

(j) In addition to any other requirements set forth herein, Party B agrees not to elect Cash Settlement or Net Share Settlement if, in the reasonable judgment of either Party A or Party B, such settlement or Party A's related market activity would result in a violation of the U.S. federal securities laws or any other federal or state law or regulation applicable to Party B.

(k) Party B (i) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (ii) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (iii) has total assets of at least USD 50 million as of the date hereof.

(l) Party B acknowledges and agrees that:

(i) during the term of the Transaction, Party A and its Affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to establish, adjust or unwind its hedge position with respect to the Transaction;

(ii) Party A and its Affiliates may also be active in the market for the Shares and Share-linked transactions other than in connection with hedging activities in relation to the Transaction;

(iii) Party A shall make its own determination as to whether, when or in what manner any hedging or market activities in Party B's securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Forward Price and the 10b-18 VWAP;

(iv) any market activities of Party A and its Affiliates with respect to the Shares may affect the market price and volatility of the Shares, as well as the Forward Price and 10b-18 VWAP, each in a manner that may be adverse to Party B; and

(v) the Transaction is a derivatives transaction in which it has granted Party A the right, under certain circumstances, to receive cash or Shares, as the case may be; Party A may purchase Shares for its own account at an average price that may be greater than, or less than, the effective price paid by Party B under the terms of the Transaction.

(m) Party B agrees not to effect any Potential Adjustment Event that but for the application of the limitation set forth under "Maximum Share Delivery" could result in it being required to deliver an aggregate number of Shares upon full Physical Settlement or Net Settlement that exceeds the amount set forth therein.

Covenant of Party B:

(a) Subject to the provisions of "Private Placement Procedures" below, the parties acknowledge and agree that any Shares delivered by Party B to Party A on any Settlement Date will be newly issued Shares and when delivered by Party A (or an affiliate of Party A) to securities lenders from whom Party A (or an affiliate of Party A) borrowed Shares in connection with hedging its exposure to the Transaction will be freely saleable without further registration or other restrictions under the Securities Act, in the hands of those securities lenders, irrespective of whether such stock loan is effected by Party A or an affiliate of Party A. Accordingly, subject to the provisions of "Private Placement Procedures" below, Party B agrees that the Shares that it delivers to Party A on each Settlement Date will not bear a restrictive legend and that such Shares will be deposited in, and the delivery thereof shall be effected through the facilities of, the Clearance System.

(b) For the purpose of Sections 4(a)(i) and 4(a)(ii) of the Agreement, Party B shall deliver to Party A on the Trade Date a properly executed Internal Revenue Service Form W-9 or similar documentation establishing an exemption from backup withholding under the Internal Revenue Code of 1986, as amended (the "Code"), and shall deliver such documentation to Party A upon the reasonable request of Party A subsequent to the Trade Date.

Covenants of Party A:

(a) Unless the provisions set forth below under "Private Placement Procedures" shall be applicable, Party A shall use any Shares delivered by Party B to Party A on any Settlement Date to return Shares to securities lenders to close out open Share loans created by Party A or an affiliate of Party A in the course of Party A's or such affiliate's hedging activities related to Party A's exposure under this Confirmation.

(b) In connection with bids and purchases of Shares in connection with any Cash Settlement or Net Share Settlement of the Transaction, Party A shall use its commercially reasonable efforts to conduct its activities, or cause its affiliates to conduct their activities, in a manner consistent with the requirements of the safe harbor provided by Rule 10b-18 under the Exchange Act, as if such provisions were applicable to such purchases.

(c) For the purpose of Sections 4(a)(i) and 4(a)(ii) of the Agreement, Party A shall deliver to Party B on the Trade Date a properly executed Internal Revenue Service Form W-9 or similar documentation establishing an exemption from backup withholding under the Code, and shall deliver such documentation to Party B upon the reasonable request of Party B subsequent to the Trade Date.

Insolvency Filing:

Notwithstanding anything to the contrary herein, in the Agreement or in the Definitions, upon any Insolvency Filing in respect of Party B, the Transaction shall automatically terminate on the date thereof without further liability of either party to this Confirmation to the other party (except for any liability in respect of any breach of representation or covenant by a party under this Confirmation prior to the date of such Insolvency Filing); *provided* that if Party B has delivered to Party A a Settlement Notice electing Physical Settlement prior to the date of the Insolvency Filing, then the Transaction shall not automatically terminate with respect to the Settlement Shares designated in such Settlement Notice if such Settlement Shares are delivered to Party A through the Clearance System as contemplated by this Confirmation on the Settlement Date.

Extraordinary Dividends:

If an ex-dividend date for an Extraordinary Dividend occurs on or after the Trade Date and on or prior to the Maturity Date (or, if later, the last date on which Shares are delivered by Party B to Party A in settlement of the Transaction), Party B shall pay an amount, as determined by the Calculation Agent, in cash equal to the product of such Extraordinary Dividend and the Base Amount to Party A on the earlier of (i) the date on which such Extraordinary Dividend is paid by the Issuer to holders of record of the Shares or (ii) the Maturity Date. "Extraordinary Dividend" means the per Share amount of any cash dividend or distribution declared by the Issuer with respect to the Shares that is specified by the board of directors of the Issuer as an "extraordinary" dividend.

Acceleration Events:

The following events shall each constitute an "Acceleration Event":

(a) Stock Borrow Events. In the sole judgment of Party A (i) Party A (or its affiliate) is unable to hedge Party A's exposure to the Transaction because (A) of the lack of sufficient Shares being made available for Share borrowing by lenders, or (B) Party A (or an Affiliate of Party A) would incur a Stock Loan Fee to hedge its exposure to the Transaction that is greater than a rate equal to 200 basis points per annum (a "Stock Borrow Event");

(b) Dividends and Other Distributions. On any day occurring after the Trade Date Party B declares a distribution, issue or dividend to existing holders of the Shares of (i) any cash dividend (other than an Extraordinary Dividend) to the extent all cash dividends having an ex-dividend date during the period from and including any Forward Price Reduction Date (with the Trade Date being a Forward Price Reduction Date for purposes of this clause (b) only) to but excluding the next subsequent Forward Price Reduction Date exceeds, on a per Share basis, the Forward Price Reduction Amount set forth opposite the first date of any such period on Schedule I or (ii) share capital or securities of another issuer acquired or owned (directly or indirectly) by Party B as a result of a spin-off or other similar transaction or (iii) any other type of securities (other than Shares), rights or warrants or other assets, for payment (cash or other consideration) at less than the prevailing market price as determined by Party A;

(c) ISDA Early Termination Date. Either Party A or Party B has the right to designate an Early Termination Date pursuant to Section 6 of the Agreement;

(d) Other ISDA Events. The announcement of any event that if consummated, would result in an Extraordinary Event or the occurrence of any Change in Law or a Delisting; *provided* that in case of a Delisting, in addition to the provisions of Section 12.6(a)(iii) of the 2002 Definitions, it will also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market (or their respective successors); and *provided further* that the definition of "Change in Law" provided in Section 12.9(a)(ii) of the 2002 Definitions is hereby amended by (i) inserting the parenthetical "(including, for the avoidance of doubt and without limitation, adoption or promulgation of new regulations authorized or mandated by existing statute)" at the end of clause (A) thereof, (ii) replacing the phrase "the interpretation" in the third line thereof with the phrase "or public announcement of the formal or informal interpretation," and (iii) immediately following the word "Transaction" in clause (X) thereof, adding the phrase "in the manner contemplated by Party A on the Trade Date"; or

(d) Ownership Event. In the reasonable judgment of Party A, on any day, the Share Amount for such day exceeds the Post-Effective Limit for such day (if any applies).

For purposes of clause (f) above, the "Share Amount" as of any day is the number of Shares that Party A and any of its affiliates and any person whose ownership position would be aggregated with that of Party A, including any "group" (within the meaning of Section 13 of the Exchange Act) of which Party A is or may be deemed to be a part (Party A or any such person or group, a "Party A Person") under any law, rule, regulation or regulatory order that for any reason becomes applicable to ownership of Shares after the Trade Date ("Applicable Laws"), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership of under the Applicable Laws, as determined by Party A in its reasonable discretion. The "Post-Effective Limit" means (x) the minimum number of Shares that would give rise to reporting or registration obligations (other than any filing under Section 13 of the Exchange Act and the rules and regulations thereunder, in each case, as in effect on the Trade Date) or other requirements (including obtaining prior approval from any person or entity) of a Party A Person, or would result in an adverse effect on a Party A Person, under the Applicable Laws, as determined by Party A in its reasonable discretion (it being understood that reporting obligations under Section 13 or Section 16 of the Exchange Act and the rules and regulations thereunder, in each case, as in effect on the Trade Date, will not be deemed to have an adverse effect), *minus* (y) 1% of the number of Shares outstanding.

Termination Settlement:

Upon the occurrence of any Acceleration Event, Party A shall have the right to designate, upon at least one Scheduled Trading Day's notice, any Scheduled Trading Day following such occurrence to be a Settlement Date hereunder (a "Termination Settlement Date") to which Physical Settlement shall apply, and to select the number of Settlement Shares relating to such Termination Settlement Date; *provided* that (i) in the case of an Acceleration Event arising out of an Ownership Event, the number of Settlement Shares so designated by Party A shall not exceed the number of Shares necessary to reduce the Share Amount to the Post-Effective Limit and (ii) in the case of an Acceleration Event arising out of a Stock Borrow Event the number of Settlement Shares so designated by Party A shall not exceed the number of Shares as to which such Stock Borrow Event exists. If, upon designation of a Termination Settlement Date by Party A pursuant to the preceding sentence, Party B fails to deliver the Settlement Shares relating to such Termination Settlement Date when due or otherwise fails to perform obligations within its control in respect of the Transaction, it shall be an Event of Default with respect to Party B and Section 6 of the Agreement shall apply. If an Acceleration Event occurs during an Unwind Period relating to a number of Settlement Shares to which Cash Settlement or Net Share Settlement applies, then on the Termination Settlement Date relating to such Acceleration Event, notwithstanding any election to the contrary by Party B, Cash Settlement or Net Share Settlement shall apply to the portion of the Settlement Shares relating to such Unwind Period as to which Party A has unwound its hedge and Physical Settlement shall apply in respect of (x) the remainder (if any) of such Settlement Shares and (y) the Settlement Shares designated by Party A in respect of such Termination Settlement Date.

Private Placement Procedures:

If Party B is unable to comply with the provisions of "Covenant of Party B" above because of a change in law or a change in the policy of the Securities and Exchange Commission or its staff, or Party A otherwise determines that in its reasonable opinion any Settlement Shares to be delivered to Party A by Party B may not be freely returned by Party A or its affiliates to securities lenders as described under "Covenant of Party B" above, then delivery of any such Settlement Shares (the "Restricted Shares") shall be effected pursuant to Annex A hereto, unless waived by Party A; *provided* that Party A may not otherwise determine that the Settlement Shares are Restricted Shares based solely upon Party A not having borrowed a number of Shares equal to the Base Amount on or before the Effective Date if there has been no change in law or a change in the policy of the Securities and Exchange Commission or its staff with respect thereto.

Rule 10b5-1:

It is the intent of Party A and Party B that following any election of Cash Settlement or Net Share Settlement by Party B, the purchase of Shares by Party A during any Unwind Period comply with the requirements of Rule 10b5-1(c)(1)(i)(B) of the Exchange Act and that this Confirmation shall be interpreted to comply with the requirements of Rule 10b5-1(c).

Party B acknowledges that (i) during any Unwind Period Party B does not have, and shall not attempt to exercise, any influence over how, when or whether to effect purchases of Shares by Party A (or its agent or affiliate) in connection with this Confirmation and (ii) Party B is entering into the Agreement and this Confirmation in good faith and not as part of a plan or scheme to evade compliance with federal securities laws including, without limitation, Rule 10b-5 promulgated under the Exchange Act.

Party B hereby agrees with Party A that during any Unwind Period Party B shall not communicate, directly or indirectly, any Material Non-Public Information (as defined herein) to any EDG Personnel (as defined below). For purposes of the Transaction, "Material Non-Public Information" means information relating to Party B or the Shares that (a) has not been widely

disseminated by wire service, in one or more newspapers of general circulation, by communication from Party B to its shareholders or in a press release, or contained in a public filing made by Party B with the Securities and Exchange Commission or otherwise disseminated in a manner that satisfies the prompt public disclosure requirement of Regulation FD or any successor rule and (b) a reasonable investor might consider to be of importance in making an investment decision to buy, sell or hold Shares. For the avoidance of doubt and solely by way of illustration, information should be presumed "material" if it relates to such matters as dividend increases or decreases, earnings estimates, changes in previously released earnings estimates, significant expansion or curtailment of operations, a significant increase or decline of orders, significant merger or acquisition proposals or agreements, significant new products or discoveries, extraordinary borrowing, major litigation, liquidity problems, extraordinary management developments, purchase or sale of substantial assets, or other similar information For purposes of the Transaction, "EDG Personnel" means any employee on the trading side of the Equity Derivatives Group of J.P. Morgan Securities LLC and does not include Messrs. David Aidelson, Elliot Chalom, Yana Chernobilsky and Noah Wynkoop (or any other person or persons designated from time to time by the Compliance Group of Party A and communicated to Party B).

Maximum Share Delivery:

Notwithstanding any other provision of this Confirmation, in no event will Party B be required to deliver on any Settlement Date, whether pursuant to Physical Settlement, Net Share Settlement, Termination Settlement or any Private Placement Settlement, more than 2,320,000 Shares to Party A, subject to reduction by the amount of any Shares delivered by Party B on any prior Settlement Date.

Transfer and Assignment:

Party A may assign or transfer any of its rights or delegate any of its duties hereunder to any affiliate of Party A or any entity organized or sponsored by Party A without the prior written consent of Party B so long as (a) the obligations of such assignee or transferee hereunder and under the Agreement are guaranteed by Party A; (b) such assignee or transferee is organized under the laws of the United States or any State thereof; (c) Party B will not be required to pay to such assignee or transferee an amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) of the Agreement greater than the amount in respect of which Party B would have been required to pay Party A in the absence of such assignment or transfer; (d) Party B will not receive a payment from which an amount has been withheld or deducted on account of a Tax under Section 2(d)(i) of the Agreement in excess of that which Party A would have been required to so withhold or deduct in the absence of such assignment or transfer; and (e) no Event of Default, Potential Event of Default or Termination Event will occur as a result of such assignment or transfer. Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Party A to purchase, sell, receive or deliver any Shares or other securities to or from Party B, Party A may designate any of its affiliates (each, a "Designee") to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform Party A's obligations in respect of the Transaction and any such Designee may assume such obligations. Party A shall be discharged of its obligations to Party B only to the extent of performance by a Designee; Party A shall otherwise remain fully liable to Party B for all of its obligations under this Confirmation.

Matters Relating to Agent:

Each party agrees and acknowledges that (i) J.P. Morgan Securities LLC, as agent, (the "Agent") acts solely as agent on a disclosed basis with respect to the transactions contemplated hereunder, and (ii) the Agent has no obligation, by guaranty, endorsement or otherwise, with respect to the obligations of either Party B or Party A hereunder, either with respect to the delivery of cash or

Shares, either at the beginning or the end of the transactions contemplated hereby. In this regard, each of Party A and Party B acknowledges and agrees to look solely to the other for performance hereunder, and not to the Agent.

Indemnity:

Party B agrees to indemnify Party A and its affiliates and their respective directors, officers, agents and controlling parties (Party A and each such affiliate or person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint and several, incurred by or asserted against such Indemnified Party arising out of, in connection with, or relating to, any breach of any covenant or representation made by Party B in this Confirmation or the Agreement and will reimburse any Indemnified Party for all reasonable expenses (including reasonable legal fees and expenses) in connection with the investigation of, preparation for, or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto, but only to the extent that the relevant loss, claim, damage, liability or expense is found in a final and nonappealable judgment by a court of competent jurisdiction to have resulted from such breach. Party B will not be liable under this Indemnity paragraph to the extent that any loss, claim, damage, liability or expense is found in a final and nonappealable judgment by a court to have resulted from Party A's negligence or willful misconduct.

Notice:

Non-Reliance:	Applicable
Additional Acknowledgments:	Applicable
Agreements and Acknowledgments Regarding Hedging Activities:	Applicable

4. The Agreement is further supplemented by the following provisions:

No Collateral or Setoff:

Notwithstanding Section 6(f) or any other provision of the Agreement or any other agreement between the parties to the contrary, the obligations of Party B hereunder are not secured by any collateral. Obligations under the Transaction shall not be set off against any other obligations of the parties, whether arising under the Agreement, this Confirmation, under any other agreement between the parties hereto, by operation of law or otherwise, and no other obligations of the parties shall be set off against obligations under the Transaction, whether arising under the Agreement, this Confirmation, under any other agreement between the parties hereto, by operation of law or otherwise, and each party hereby waives any such right of setoff. In calculating any amounts under Section 6(e) of the Agreement, notwithstanding anything to the contrary in the Agreement, (a) separate amounts shall be calculated as set forth in such Section 6(e) with respect to (i) the Transaction and (ii) all other Transactions, and (b) such separate amounts shall be payable pursuant to Section 6(d)(ii) of the Agreement.

Status of Claims in Bankruptcy:

Party A acknowledges and agrees that this confirmation is not intended to convey to Party A rights with respect to the transactions contemplated hereby that are senior to the claims of common stockholders in any U.S. bankruptcy proceedings of Party B; *provided, however*, that nothing herein shall limit or shall be deemed to limit Party A's right to pursue remedies in the event of a breach by Party B of its obligations and agreements with respect to this Confirmation and the Agreement; and *provided further*, that nothing herein shall limit or shall be deemed to limit Party A's rights in respect of any transaction other than the Transaction.

Limit on Beneficial Ownership:

Notwithstanding any other provisions hereof, Party A shall not have the "right to acquire" (within the meaning of NYSE Rule 312.04(g)) Shares hereunder and Party A shall not be entitled to take delivery of any Shares deliverable hereunder (in each case, whether in connection with the purchase of Shares on any Settlement Date or any Termination Settlement Date, any Private Placement Settlement or otherwise) to the extent (but only to the extent) that, after such receipt of any Shares hereunder, (i) the Share Amount would exceed the Post-Effective Limit or (ii) Party A and each person subject to aggregation of Shares with Party A under Section 13 or Section 16 of the Exchange Act and rules promulgated thereunder (the "Party A Group") would directly or indirectly beneficially own (as such term is defined for purposes of Section 13 or Section 16 of the Exchange Act and rules promulgated thereunder) in excess of 8,724,075 Shares (the "Threshold Number of Shares"). Any purported delivery hereunder shall be void and have no effect to the extent (but only to the extent) that, after such delivery, (i) the Share Amount would exceed the Post-Effective Limit or (ii) Party A Group would directly or indirectly so beneficially own in excess of the Threshold Number of Shares. If any delivery owed to Party A hereunder is not made, in whole or in part, as a result of this provision, Party B's obligation to make such delivery shall not be extinguished and Party B shall make such delivery as promptly as practicable after, but in no event later than one Exchange Business Day after, Party A gives notice to Party B that, after such delivery, (i) the Share Amount would not exceed the Post-Effective Limit and (ii) Party A Group would not directly or indirectly so beneficially own in excess of the Threshold Number of Shares.

In addition, notwithstanding anything herein to the contrary, if any delivery owed to Party A hereunder is not made, in whole or in part, as a result of the immediately preceding paragraph, Party A shall be permitted to make any payment due in respect of such Shares to Party B in two or more tranches that correspond in amount to the number of Shares delivered by Party B to Party A pursuant to the immediately preceding paragraph.

Delivery of Cash:

For the avoidance of doubt, nothing in this Confirmation shall be interpreted as requiring Party B to deliver cash in respect of the settlement of the Transaction, except (i) as set forth above under "Extraordinary Dividends," which is within Party B's control, (ii) in circumstances where Cash Settlement is within Party B's control (including, without limitation, where Party B elects to deliver or receive cash or where Party B has made a Private Placement Settlement in accordance with Annex A unavailable due to the occurrence of events within its control) or (iii) in those circumstances in which holders of Shares would also receive cash. For the avoidance of doubt, the preceding sentence shall not be construed as limiting any damages that may be payable by Party B as a result of breach of this Confirmation.

Wall Street Transparency and Accountability Act:

In connection with Section 739 of the Wall Street Transparency and Accountability Act of 2010 (the "WSTAA"), the parties hereby agree that neither the enactment of the WSTAA or any

regulation under the WSTAA, nor any requirement under the WSTAA or an amendment made by the WSTAA, shall limit or otherwise impair either party's otherwise applicable rights to terminate, renegotiate, modify, amend or supplement this Confirmation or the Agreement, as applicable, arising from a termination event, force majeure, illegality, increased costs, regulatory change or similar event under this Confirmation, the 2002 Definitions incorporated herein, or the Agreement (including, but not limited to, rights arising from any Acceleration Event or Illegality (as defined in the Agreement)).

Miscellaneous:

(a) Addresses for Notices. For the purpose of Section 12(a) of the Agreement:

Address for notices or communications to Party A:

JPMorgan Chase Bank, National Association
EDG Marketing Support
Email: edg_notices@jpmorgan.com
edg_ny_corporate_sales_support@jpmorgan.com
Facsimile No: 1-866-886-4506

With a copy to:

Attention: Santosh Sreenivasan
Title: Managing Director
Telephone No: 212-622-5604
Email: santosh.sreenivasan@jpmorgan.com

Address for notices or communications to Party B:

Address: 1025 Laurel Oak Road
Voorhees, NJ 08043
Attention: Charles Witherspoon
Title: Vice President & Treasurer
Telephone No: 856-310-5546
Email: charles.witherspoon@amwater.com

(b) **Waiver of Right to Trial by Jury. Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or proceeding relating to this Confirmation.** Each party (i) certifies that no representative, agent or attorney of the other party has represented, expressly or otherwise, that such other party would not, in the event of such a suit action or proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other party have been induced to enter into this Confirmation by, among other things, the mutual waivers and certifications herein.

(c) London Branch. Party A is entering into this Confirmation and the Agreement through its London branch. Notwithstanding the foregoing, Party A represents to Party B that the obligations of Party A are the same as if it had entered into this Confirmation and the Agreement through its head or home office in New York.

Acknowledgements:

The parties hereto intend for:

(a) the Transaction to be a "securities contract" as defined in Section 741(7) of Title 11 of the United States Code (the "Bankruptcy Code"), qualifying for the protections under Section 555 of the Bankruptcy Code;

(b) a party's right to liquidate the Transaction and to exercise any other remedies upon the occurrence of any Event of Default under the Agreement with respect to the other party to constitute a "contractual right" as defined in the Bankruptcy Code;

(c) Party A to be a "financial institution" within the meaning of Section 101(22) of the Bankruptcy Code; and

(d) all payments for, under or in connection with the Transaction, all payments for the Shares and the transfer of such Shares to constitute "settlement payments" as defined in the Bankruptcy Code.

If Party A is a bank regulated by the Federal Deposit Insurance Corporation, (i) Party A recognizes and intends that this Transaction is, and shall constitute, a "qualified financial contract" as that term is defined in 12 U.S.C. §1821(e)(8)(d)(i), as the same may be amended, modified, or supplemented from time to time; and (ii) Party A represents and warrants that it is authorized by appropriate corporate action under applicable law to enter into this Transaction as evidenced by the execution hereof by an officer of Party A at the level of vice president or higher.

Severability:

If any term, provision, covenant or condition of this Confirmation, or the application thereof to any party or circumstance, shall be held to be invalid or unenforceable in whole or in part for any reason, the remaining terms, provisions, covenants, and conditions hereof shall continue in full force and effect as if this Confirmation had been executed with the invalid or unenforceable provision eliminated, so long as this Confirmation as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of this Confirmation and the deletion of such portion of this Confirmation will not substantially impair the respective benefits or expectations of parties to this Agreement; provided, however, that this severability provision shall not be applicable if any provision of Section 2, 5, 6 or 13 of the Agreement (or any definition or provision in Section 14 to the extent that it relates to, or is used in or in connection with any such Section) shall be so held to be invalid or unenforceable.

Tax Matters:

(a) For the purpose of Section 3(e), each of Party A and Party B makes the following representation: It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 9 (h) of the Agreement and any other payments of interest and penalty charges for late payment) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of the Agreement; (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of the Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of the Agreement; and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of the Agreement; provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) For the purpose of Section 3(f) of the Agreement:

(i) Party A makes the following representation(s):

(A) It is a "U.S. person" (as that term is used in section 1.1441-4(a)(3)(ii) of United States Treasury Regulations) for U.S. federal income tax purposes.

(B) It is a national banking association organized and existing under the laws of the United States of America and is an exempt recipient under Treasury Regulation Section 1.6049-4(c)(1)(ii)(M).

(ii) Party B makes the following representation(s):

(A) It is a "U.S. person" (as that term is used in section 1.1441-4(a)(3)(ii) of United States Treasury Regulations) for U.S. federal income tax purposes.

(B) It is a corporation for U.S. federal income tax purposes and is organized under the laws of the State of Delaware and is an exempt recipient under Treasury Regulation Section 1.6049-4(c)(1)(ii)(A)

(c) Withholding Tax imposed on payments to non-U.S. counterparties under the United States Foreign Account Tax Compliance Act. "Tax" and "Indemnifiable Tax", each as defined in Section 14 of the Agreement, shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a "FATCA Withholding Tax"). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of the Agreement.

(d) HIRE Act. "Tax" and "Indemnifiable Tax", each as defined in Section 14 of the Agreement, shall not include any tax imposed on payments treated as dividends from sources within the United States under Section 871(m) of the Code or any regulations issued thereunder.

Other Forward:

Party A acknowledges that Party B has entered into a substantially identical forward transaction for the Shares on the date hereof (the "Other Forward") with Wells Fargo Bank, National Association Party A and Party B agree that if Party B designates a Settlement Date with respect to the Other Forward and for which Cash Settlement or Net Share Settlement is applicable, and the resulting Unwind Period for such Other Forward coincides for any period of time with an Unwind Period for this Transaction (the "Overlap Unwind Period"), Party B shall notify Party A prior to the commencement of such Overlap Unwind Period, and Party A shall only be permitted to purchase Shares to unwind its hedge in respect of this Transaction on and the resulting Unwind Period shall include only every second Exchange Business Day that is not a Suspension Day during such Overlap Unwind Period (in the case of an Overlap Unwind Period that coincides with an Unwind Period under the Other Forward), in each case as notified by Party B, commencing on the first or second Exchange Business Day of such Overlap Unwind Period, as notified by Party B. For the avoidance of doubt the operation of this "Other Forward" provision shall not be deemed to give rise to a Disrupted Day or other adjustment to this Transaction.

[Remainder of page intentionally left blank**]**

Please confirm that the foregoing correctly sets forth the terms of our agreement by signing and returning this Confirmation.

Yours faithfully,

J.P. MORGAN SECURITIES LLC,
as agent for JPMorgan Chase Bank, National Association

By: /s/ Alaoui Zenere
Name: Alaoui Zenere
Title: Vice President

Confirmed as of the date first written above:

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ Charles Witherspoon
Name: Charles Witherspoon
Title: Vice President and Treasurer

ANNEX A

PRIVATE PLACEMENT PROCEDURES

(i) If Party B delivers the Restricted Shares pursuant to this clause (i) (a "Private Placement Settlement"), then delivery of Restricted Shares by Party B shall be effected in customary private placement procedures with respect to such Restricted Shares reasonably acceptable to Party A; *provided* that if, on or before the date that a Private Placement Settlement would occur, Party B has taken, or caused to be taken, any action that would make unavailable either the exemption pursuant to Section 4(a)(2) of the Securities Act for the sale by Party B to Party A (or any affiliate designated by Party A) of the Restricted Shares or the exemption pursuant to Section 4(a)(1) or Section 4(a)(3) of the Securities Act for resales of the Restricted Shares by Party A (or any such affiliate of Party A) or Party B fails to deliver the Restricted Shares when due or otherwise fails to perform obligations within its control in respect of a Private Placement Settlement, it shall be an Event of Default with respect to Party B and Section 6 of the Agreement shall apply. The Private Placement Settlement of such Restricted Shares shall include customary representations, covenants, blue sky and other governmental filings and/or registrations, indemnities to Party A, due diligence rights (for Party A or any designated buyer of the Restricted Shares by Party A), opinions and certificates, and such other documentation as is customary for private placement agreements, all reasonably acceptable to Party A. In the case of a Private Placement Settlement, Party A shall, in its good faith discretion, adjust the number of Restricted Shares to be delivered to Party A hereunder in a commercially reasonable manner to reflect the fact that such Restricted Shares may not be freely returned to securities lenders by Party A and may only be saleable by Party A at a discount to reflect the lack of liquidity in Restricted Shares. Notwithstanding the Agreement or this Confirmation, the date of delivery of such Restricted Shares shall be the Clearance System Business Day following notice by Party A to Party B of the number of Restricted Shares to be delivered pursuant to this clause (i). For the avoidance of doubt, delivery of Restricted Shares shall be due as set forth in the previous sentence and not be due on the Settlement Date or Termination Settlement Date that would otherwise be applicable.

(ii) If Party B delivers any Restricted Shares in respect of the Transaction, Party B agrees that (i) such Shares may be transferred by and among Party A and its affiliates and (ii) after the minimum "holding period" within the meaning of Rule 144(d) under the Securities Act has elapsed after the applicable Settlement Date, Party B shall promptly remove, or cause the transfer agent for the Shares to remove, any legends referring to any transfer restrictions from such Shares upon delivery by Party A (or such affiliate of Party A) to Party B or such transfer agent of seller's and broker's representation letters customarily delivered by Party A or its affiliates in connection with resales of restricted securities pursuant to Rule 144 under the Securities Act, each without any further requirement for the delivery of any certificate, consent, agreement, opinion of counsel, notice or any other document, any transfer tax stamps or payment of any other amount or any other action by Party A (or such affiliate of Party A).

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Section 5: EX-10.2 (EX-10.2)

Exhibit 10.2

Execution Version

April 11, 2018

To: **American Water Works Company, Inc.**
1025 Laurel Oak Road
Voorhees, NJ 08043

From: **Wells Fargo Bank, National Association**
375 Park Avenue
New York, New York 10152

Dear Sirs,

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the transaction entered into between us on the Trade Date specified below (the "Transaction"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

1. The definitions and provisions contained in the 2000 ISDA Definitions (the "2000 Definitions") and the 2002 ISDA Equity Derivatives Definitions (the "2002 Definitions" and, together with the 2000 Definitions, the "Definitions"), each as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the 2002 Definitions and the 2000 Definitions, the 2002 Definitions will govern. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

   Each party further agrees that this Confirmation together with the Agreement (defined below) evidence a complete binding agreement between Party A and Party B as to the subject matter and terms of the Transaction to which this Confirmation relates, and shall supersede all

prior or contemporaneous written or oral communications with respect thereto. This Confirmation shall supplement, form a part of, and be subject to an agreement in the form of the 2002 ISDA Master Agreement (the "Agreement") as if Party A and Party B had executed an agreement in such form on the Trade Date (but without any Schedule except for the election of the laws of the State of New York as the governing law), and *provided* that in no event shall Party B be required to pay an additional amount to Party A under Section 2(d)(i)(4) of the Agreement in respect of any distribution or deemed distribution with respect to the Shares. In the event of any inconsistency between provisions of the Agreement and this Confirmation, this Confirmation will prevail for the purpose of the Transaction to which this Confirmation relates. The parties hereby agree that no Transaction other than the Transaction to which this Confirmation relates shall be governed by the Agreement. For purposes of the 2002 Definitions, the Transaction is a Share Forward Transaction.

Party A and Party B each represents to the other that it has entered into the Transaction in reliance upon such tax, accounting, regulatory, legal, and financial advice as it deems necessary and not upon any view expressed by the other.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Party A:	Wells Fargo Bank, National Association
Party B:	American Water Works Company, Inc.
Trade Date:	April 11, 2018
Effective Date:	April 16, 2018
Base Amount:	Initially, 1,160,000 Shares. On each Settlement Date, the Base Amount shall be reduced by the number of Settlement Shares for such Settlement Date.
Maturity Date:	April 11, 2019 (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day).
Forward Price:	On the Effective Date, the Initial Forward Price, and on any other day, the Forward Price as of the immediately preceding calendar day multiplied by the sum of (i) 1 *and* (ii) the Daily Rate for such day; *provided* that on each Forward Price Reduction Date, the Forward Price in effect on such date shall be the Forward Price otherwise in effect on such date, *minus* the Forward Price Reduction Amount for such Forward Price Reduction Date.
Initial Forward Price:	$79.36 per Share.
Daily Rate:	For any day, (i)(A) USD-Federal Funds Rate for such day, *minus* (B) the Spread, *divided by* (ii) 365.
USD-Federal Funds Rate	For any day, the rate set forth for such day opposite the caption “Federal funds”, as such rate is displayed on the page “OBFR01 <Index> <GO>” on the BLOOMBERG Professional Service, or any successor page; *provided* that if no rate appears for any day on such page, the rate for the immediately preceding day for which a rate appears shall be used for such day.
Spread:	0.75%
Forward Price Reduction Date:	Each date (other than the Trade Date) set forth on Schedule I under the caption “Forward Price Reduction Date.”
Forward Price Reduction Amount:	For each Forward Price Reduction Date, the Forward Price Reduction Amount set forth opposite such date on Schedule I. No Forward Price Reduction Amount for a Forward Price Reduction Date shall be applied to reduce the Forward Price more than once.

Shares:	Common stock, $0.01 par value per share, of Party B (also referred to herein as the "Issuer") (Exchange identifier: "AWK").
Exchange:	The New York Stock Exchange.
Related Exchange(s):	All Exchanges.
Clearance System:	DTC.
Calculation Agent:	Party A; *provided* that following the occurrence and during the continuation of an Event of Default with respect to Party A, Party B may designate a nationally or internationally recognized third-party dealer with expertise in over-the-counter corporate equity derivatives that is not an Affiliate of Party B to replace Party A as Calculation Agent. Any determination or calculation by the Calculation Agent in such capacity shall be made in good faith and in a commercially reasonable manner. Following any determination or calculation by Party A as Calculation Agent, upon a written request by Party B, the Calculation Agent will provide to Party B, by e-mail to the e-mail address provided by Party B in such written request, a report (in a commonly used file format for the storage and manipulation of financial data) displaying, in reasonable detail, the basis for such determination or calculation, it being understood that the Calculation Agent shall not be obligated to disclose any proprietary models or other confidential or proprietary information used by it for such determination or calculation.

Settlement Terms:

Settlement Date:	Any Scheduled Trading Day following the Effective Date and up to and including the Maturity Date, as designated by (a) Party A pursuant to "Termination Settlement" below or (b) Party B in a written notice (a "Settlement Notice") that satisfies the Settlement Notice Requirements and is delivered to Party A at least (i) two Scheduled Trading Days prior to such Settlement Date, which may be the Maturity Date, if Physical Settlement applies, and (ii) nine Scheduled Trading Days prior to such Settlement Date, which may be the Maturity Date, if Cash Settlement or Net Share Settlement applies; *provided* that (i) the Maturity Date shall be a Settlement Date if on such date the Base Amount is greater than zero, (ii) if Physical Settlement applies and a Settlement Date specified above (including a Settlement Date occurring on the Maturity Date) is not a Clearance System Business Day, the Settlement Date shall be the next following Clearance System Business Day, and (iii) if Cash Settlement or Net Share Settlement applies and Party A shall have fully unwound its hedge during

	an Unwind Period by a date that is more than two Scheduled Trading Days prior to a Settlement Date specified above, Party A may, by written notice to Party B, specify any Scheduled Trading Day prior to such originally specified Settlement Date as the Settlement Date.
Settlement Shares:	With respect to any Settlement Date, a number of Shares, not to exceed the Base Amount, designated as such by Party B in the related Settlement Notice or by Party A pursuant to "Termination Settlement" below; *provided* that on the Maturity Date the number of Settlement Shares shall be equal to the Base Amount on such date.
Settlement:	Physical Settlement, Cash Settlement or Net Share Settlement, at the election of Party B as set forth in a Settlement Notice delivered on or after the Effective Date that satisfies the Settlement Notice Requirements; *provided* that Physical Settlement shall apply (i) if no Settlement Method is validly selected, (ii) with respect to any Settlement Shares in respect of which Party A is unable, in its judgment, to unwind its hedge by the end of the Unwind Period in a manner that, in the judgment of Party A, is consistent with the requirements for qualifying for the safe harbor provided by Rule 10b-18 under the Exchange Act or due to the lack of sufficient liquidity in the Shares on any Exchange Business Day during the Unwind Period or (iii) to any Termination Settlement Date (as defined below under "Termination Settlement"). With respect to any Settlement Date (x) in respect of which Cash Settlement applies, Party A shall be deemed to have completed unwinding its hedge in respect of the portion of the Transaction to be settled on such Settlement Date when it purchases (or, to the extent applicable, unwinds derivative positions (including, but not limited to, swaps or options related to the Shares) resulting in Party A's synthetic purchase of) an aggregate number of Shares equal to the number of Settlement Shares for such Settlement Date; and (y) in respect of which Net Share Settlement applies, Party A shall be deemed to have completed unwinding its hedge in respect of the portion of this Transaction to be settled on such Settlement Date when it purchases (or, to the extent applicable, unwinds derivative positions (including, but not limited to, swaps or options related to the Shares) resulting in Party A's synthetic purchase of) an aggregate number of Shares having an aggregate purchase price equal to the Net Share Purchase Price for such Settlement Date.
Settlement Notice Requirements:	Notwithstanding any other provision hereof, a Settlement Notice delivered by Party B that specifies Cash Settlement or Net Share Settlement will not be effective to establish a Settlement Date or require Cash Settlement or Net Share Settlement unless Party B delivers to Party A with such

	Settlement Notice a representation signed by Party B substantially in the following form: "As of the date of this Settlement Notice, Party B is not aware of any material nonpublic information concerning itself or the Shares, and is designating the date contained herein as a Settlement Date and is electing Cash Settlement or Net Share Settlement, as the case may be, in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws."
Unwind Period:	Subject to the provisions below under the caption "Other Forward", each Exchange Business Day that is not a Suspension Day during the period from and including the first Exchange Business Day following the date Party B validly elects Cash Settlement or Net Share Settlement in respect of a Settlement Date through the second Scheduled Trading Day preceding such Settlement Date (or the immediately preceding Exchange Business Day if such Scheduled Trading Day is not an Exchange Business Day); subject to "Termination Settlement" below. If any Exchange Business Day during an Unwind Period is a Disrupted Day, the Calculation Agent shall make commercially reasonable adjustments to the terms of the Transaction (including, without limitation, the Cash Settlement Amount, the number of Net Share Settlement Shares and the 10b-18 VWAP) to account for the occurrence of such Disrupted Day.
Suspension Day:	Any Exchange Business Day on which Party A determines based on the advice of counsel that Cash Settlement or Net Share Settlement may violate applicable securities laws. Party A shall notify Party B if it receives such advice from its counsel.
Market Disruption Event:	Section 6.3(a)(ii) of the 2002 Definitions is hereby amended by replacing clause (ii) in its entirety with "(ii) an Exchange Disruption, or" and inserting immediately following clause (iii) the phrase "; in each case that the Calculation Agent determines is material."
Exchange Act:	The Securities Exchange Act of 1934, as amended from time to time.
Physical Settlement:	On any Settlement Date in respect of which Physical Settlement applies, Party B shall deliver to Party A through the Clearance System the Settlement Shares for such Settlement Date, and Party A shall deliver to Party B, by wire transfer of immediately available funds to an account designated by Party B, an amount in cash equal to the Physical Settlement Amount for such Settlement Date, on a delivery versus payment basis. If, on any Settlement Date, the Shares to be delivered by Party B to Party A hereunder are not so delivered (the "Deferred Shares"), and a Forward Price Reduction Date occurs during the period from, and including, such Settlement Date to, but excluding, the date such Shares are actually

	delivered to Party A, then the portion of the Physical Settlement Amount payable by Party A to Party B in respect of the Deferred Shares shall be reduced by an amount equal to the Forward Price Reduction Amount for such Forward Price Reduction Date, *multiplied by* the number of Deferred Shares.
Physical Settlement Amount:	For any Settlement Date in respect of which Physical Settlement applies, an amount in cash equal to the product of (i) the Forward Price on such Settlement Date and (ii) the number of Settlement Shares for such Settlement Date.
Cash Settlement:	On any Settlement Date in respect of which Cash Settlement applies, if the Cash Settlement Amount for such Settlement Date is a positive number, Party A will pay such Cash Settlement Amount to Party B. If the Cash Settlement Amount is a negative number, Party B will pay the absolute value of such Cash Settlement Amount to Party A. Such amounts shall be paid on the Settlement Date.
Cash Settlement Amount:	For any Settlement Date in respect of which Cash Settlement applies, an amount determined by the Calculation Agent equal to the difference between (1) the product of (i) (A) the average Forward Price over the period beginning on, and including, the date that is one Settlement Cycle following the first day of the applicable Unwind Period and ending on, and including, such Settlement Date (calculated assuming no reduction to the Forward Price for the Forward Price Reduction Date if it occurs during the Unwind Period, except as set forth in clause (2) below), *minus* USD 0.01 *minus* (B) the average of the 10b-18 VWAP prices per Share on each Exchange Business Day during such Unwind Period, and (ii) the number of Settlement Shares for such Settlement Date and (2) the product of (i) the Forward Price Reduction Amount for the Forward Price Reduction Date if it occurs during such Unwind Period, and (ii) the number of Settlement Shares with respect to which Party A has not unwound its hedge as of such Forward Price Reduction Date.
Net Share Settlement:	On any Settlement Date in respect of which Net Share Settlement applies, if the number of Net Share Settlement Shares is a (i) negative number, Party A shall deliver a number of Shares to Party B equal to the absolute value of the Net Share Settlement Shares, or (ii) positive number, Party B shall deliver to Party A the Net Share Settlement Shares; *provided* that if Party A determines in its good faith judgment that it would be required to deliver Net Share Settlement Shares to Party B, Party A may elect to deliver a portion of such Net Share Settlement Shares on one or more dates prior to the applicable Settlement Date.
Net Share Settlement Shares:	For any Settlement Date in respect of which Net Share Settlement applies, a number of Shares equal to (a) the number of Settlement Shares for such Settlement Date, minus (b) the

number of Shares Party A actually purchases during the applicable Unwind Period for a total purchase price (the "Net Share Purchase Price") equal to the difference between (1) the product of (i) the average Forward Price during the applicable Unwind Period (calculated assuming no reduction to the Forward Price for any Forward Price Reduction Date that occurs during the Unwind Period, except as set forth in clause (2) below) *minus* USD 0.01, and (ii) the number of Settlement Shares for such Settlement Date, and (2) the product of (i) the Forward Price Reduction Amount for any Forward Price Reduction Date that occurs during such Unwind Period and (ii) the number of Shares with respect to which Party A has not unwound its hedge as of such Forward Price Reduction Date.

10b-18 VWAP:	For any Exchange Business Day during the Unwind Period which is not a Suspension Day, the volume-weighted average price at which the Shares trade as reported in the composite transactions for the Exchange on such Exchange Business Day, excluding (i) trades that do not settle regular way, (ii) opening (regular way) reported trades on the Exchange on such Exchange Business Day, (iii) trades that occur in the last ten minutes before the scheduled close of trading on the Exchange on such Exchange Business Day and ten minutes before the scheduled close of the primary trading session in the market where the trade is effected, and (iv) trades on such Exchange Business Day that do not satisfy the requirements of Rule 10b-18(b)(3), as determined in good faith by the Calculation Agent. Party B acknowledges that Party A may refer to the Bloomberg Page "AWK <Equity> AQR SEC" (or any successor thereto), in its discretion, for such Exchange Business Day to determine the 10b-18 VWAP.
Settlement Currency:	USD.
Failure to Deliver:	Inapplicable.

Adjustments:

Potential Adjustment Event:	The definition of "Potential Adjustment Event" shall not include clause (iii) thereof. Notwithstanding Section 11.2(e)(v) of the 2002 Definitions, the following repurchases of Shares, to the extent applicable, shall not be considered to be a Potential Adjustment Event: (i) Shares withheld from employees of Party B or its Affiliates to pay certain withholding taxes upon the vesting of Share awards or options granted to such employees under compensation plans of Party B; and (ii) Shares purchased in connection with the reinvestment of dividends by recipients of Share awards under Party B's compensation plans; and

	(iii) Up to 1,000,000 Shares purchased subsequent to the Trade Date under Party B's publicly announced share repurchase program.
Method of Adjustment:	Calculation Agent Adjustment; notwithstanding anything in the 2002 Definitions to the contrary, the Calculation Agent may make an adjustment pursuant to Calculation Agent Adjustment to any one or more of the Base Amount, the Forward Price and any other variable relevant to the settlement or payment terms of the Transaction.
Additional Adjustment:	If, in Party A's sole judgment, the stock loan fee to Party A (or an affiliate thereof), excluding the federal funds rate component payable by the relevant stock lender to Party A or such affiliate (the "Stock Loan Fee"), over any 30 consecutive day period, of borrowing a number of Shares equal to the Base Amount to hedge its exposure to the Transaction exceeds a weighted average rate equal to the rate specified on Schedule I hereto, the Calculation Agent shall reduce the Forward Price in order to compensate Party A for the amount by which the Stock Loan Fee exceeded a weighted average rate equal to such rate during such period. The Calculation Agent shall notify Party B prior to making any such adjustment to the Forward Price and, upon the request of Party B, Party A shall provide an itemized list of the Stock Loan Fee for the applicable 30 consecutive day period.

Account Details:

Payments to Party A:	To be advised under separate cover or telephone confirmed prior to each Settlement Date.
Payments to Party B:	To be advised under separate cover or telephone confirmed prior to each Settlement Date.
Delivery of Shares to Party A:	To be advised.
Delivery of Shares to Party B:	To be advised.
Offices: The Office of Party A for the Transaction is:	New York
The Office of Party B for the Transaction is:	Inapplicable, Party B is not a Multibranch Party.

3. Other Provisions:

Conditions to Effectiveness:

The effectiveness of this Confirmation on the Effective Date shall be subject to (i) the condition that the representations and warranties of Party B contained in the Underwriting Agreement dated the date hereof among Party B and J.P. Morgan Securities LLC and Wells Fargo Securities, LLC (the "Underwriting Agreement") and any certificate delivered pursuant thereto by Party B are true and correct or, as provided in the Underwriting Agreement or such certificate, true and correct in all material respects on the Effective Date as if made as of the Effective Date, (ii) the condition that Party B has performed all of the obligations required to be performed by it under the Underwriting Agreement on or prior to the Effective Date, (iii) the satisfaction of all of the conditions set forth in Section 10 of the Underwriting Agreement, (iv) the condition that the Underwriting Agreement shall not have been terminated pursuant to Section 12 and the condition that Section 13 thereof does not apply and (v) the condition that neither of the following has occurred (A) Party A (or its affiliate) is unable to borrow and deliver for sale a number of Shares equal to the Base Amount, or (B) in Party A's sole judgment Party A (or its affiliate) would incur a Stock Loan Fee of more than a rate equal to the rate set forth on Schedule I hereto to do so (in which event this Confirmation shall be effective but the Base Amount for the Transaction shall be the number of Shares Party A (or an affiliate thereof) is required to deliver in accordance with Section 4(b) of the Underwriting Agreement).

Representations and Agreements of Party B:

Party B (i) has such knowledge and experience in financial and business affairs as to be capable of evaluating the merits and risks of entering into the Transaction; (ii) has consulted with its own legal, financial, accounting and tax advisors in connection with the Transaction; and (iii) is entering into the Transaction for a bona fide business purpose.

Party B is not and has not been the subject of any civil proceeding of a judicial or administrative body of competent jurisdiction that could reasonably be expected to impair materially Party B's ability to perform its obligations hereunder.

Party B will by the next succeeding New York Business Day notify Party A upon obtaining knowledge of the occurrence of any event that would constitute an Event of Default or a Potential Adjustment Event.

Additional Representations, Warranties and Agreements of Party B: Party B hereby represents and warrants to, and agrees with, Party A as of the date hereof that:

(a) Any Shares, when issued and delivered in accordance with the terms of the Transaction, will be duly authorized and validly issued, fully paid and nonassessable, and the issuance thereof will not be subject to any preemptive or similar rights.

(b) Party B has reserved and will keep available at all times, free from preemptive rights, out of its authorized but unissued Shares, solely for the purpose of issuance upon settlement of the Transaction as herein provided, the full number of Shares as shall be issuable at such time upon settlement of the Transaction. All Shares so issuable shall, upon such issuance, be accepted for listing or quotation on the Exchange.

(c) Party B agrees to provide Party A at least five Exchange Business Days' written notice (an "Issuer Repurchase Notice") prior to executing any repurchase of Shares by Party B or any of its subsidiaries (or entering into any contract that would require, or give the option to, Party B or any of its subsidiaries, to purchase or repurchase Shares), whether out of profits or capital or whether the consideration for such repurchase is cash, securities or otherwise (an "Issuer Repurchase"), that alone or in the aggregate would result in the Base Amount Percentage (as defined below) being greater by 0.5% or more than the Base Amount Percentage at the time of the immediately preceding Issuer Repurchase Notice (or in the case of the first such Issuer Repurchase Notice, greater than the Base Amount Percentage as of the later of the date hereof

or the immediately preceding Settlement Date, if any). The "Base Amount Percentage" as of any day is the fraction (1) the numerator of which is the Base Amount and (2) the denominator of which is the number of Shares outstanding on such day.

(d) No filing with, or approval, authorization, consent, license registration, qualification, order or decree of, any court or governmental authority or agency, domestic or foreign, is necessary or required for the execution, delivery and performance by Party B of this Confirmation and the consummation of the Transaction (including, without limitation, the issuance and delivery of Shares on any Settlement Date) except (i) such as have been obtained under the Securities Act of 1933, as amended (the "Securities Act"), and (ii) as may be required to be obtained under state securities laws.

(e) Party B agrees not to make any Issuer Repurchase if, immediately following such Issuer Repurchase, the Base Amount Percentage would be equal to or greater than 7.5%.

(f) Party B is not insolvent, nor will Party B be rendered insolvent as a result of the Transaction.

(g) Neither Party B nor any of its affiliates shall take or refrain from taking any action (including, without limitation, any direct purchases by Party B or any of its affiliates or any purchases by a party to a derivative transaction with Party B or any of its affiliates), either under this Confirmation, under an agreement with another party or otherwise, that might cause any purchases of Shares by Party A or any of its affiliates in connection with any Cash Settlement or Net Share Settlement of the Transaction not to meet the requirements of the safe harbor provided by Rule 10b-18 under the Exchange Act if such purchases were made by Party B.

(h) Party B will not engage in any "distribution" (as defined in Regulation M under the Exchange Act ("Regulation M")) that would cause a "restricted period" (as defined in Regulation M) to occur during any Unwind Period.

(i) Party B is an "eligible contract participant" (as such term is defined in Section 1a(18) of the Commodity Exchange Act, as amended).

(j) In addition to any other requirements set forth herein, Party B agrees not to elect Cash Settlement or Net Share Settlement if, in the reasonable judgment of either Party A or Party B, such settlement or Party A's related market activity would result in a violation of the U.S. federal securities laws or any other federal or state law or regulation applicable to Party B.

(k) Party B (i) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (ii) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (iii) has total assets of at least USD 50 million as of the date hereof.

(l) Party B acknowledges and agrees that:

(i) during the term of the Transaction, Party A and its Affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to establish, adjust or unwind its hedge position with respect to the Transaction;

(ii) Party A and its Affiliates may also be active in the market for the Shares and Share-linked transactions other than in connection with hedging activities in relation to the Transaction;

(iii) Party A shall make its own determination as to whether, when or in what manner any hedging or market activities in Party B's securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Forward Price and the 10b-18 VWAP;

(iv) any market activities of Party A and its Affiliates with respect to the Shares may affect the market price and volatility of the Shares, as well as the Forward Price and 10b-18 VWAP, each in a manner that may be adverse to Party B; and

(v) the Transaction is a derivatives transaction in which it has granted Party A the right, under certain circumstances, to receive cash or Shares, as the case may be; Party A may purchase Shares for its own account at an average price that may be greater than, or less than, the effective price paid by Party B under the terms of the Transaction.

(m) Party B agrees not to effect any Potential Adjustment Event that but for the application of the limitation set forth under "Maximum Share Delivery" could result in it being required to deliver an aggregate number of Shares upon full Physical Settlement or Net Settlement that exceeds the amount set forth therein.

Covenant of Party B:

(a) Subject to the provisions of "Private Placement Procedures" below, the parties acknowledge and agree that any Shares delivered by Party B to Party A on any Settlement Date will be newly issued Shares and when delivered by Party A (or an affiliate of Party A) to securities lenders from whom Party A (or an affiliate of Party A) borrowed Shares in connection with hedging its exposure to the Transaction will be freely saleable without further registration or other restrictions under the Securities Act, in the hands of those securities lenders, irrespective of whether such stock loan is effected by Party A or an affiliate of Party A. Accordingly, subject to the provisions of "Private Placement Procedures" below, Party B agrees that the Shares that it delivers to Party A on each Settlement Date will not bear a restrictive legend and that such Shares will be deposited in, and the delivery thereof shall be effected through the facilities of, the Clearance System.

(b) For the purpose of Sections 4(a)(i) and 4(a)(ii) of the Agreement, Party B shall deliver to Party A on the Trade Date a properly executed Internal Revenue Service Form W-9 or similar documentation establishing an exemption from backup withholding under the Internal Revenue Code of 1986, as amended (the "Code"), and shall deliver such documentation to Party A upon the reasonable request of Party A subsequent to the Trade Date.

Covenants of Party A:

(a) Unless the provisions set forth below under "Private Placement Procedures" shall be applicable, Party A shall use any Shares delivered by Party B to Party A on any Settlement Date to return Shares to securities lenders to close out open Share loans created by Party A or an affiliate of Party A in the course of Party A's or such affiliate's hedging activities related to Party A's exposure under this Confirmation.

(b) In connection with bids and purchases of Shares in connection with any Cash Settlement or Net Share Settlement of the Transaction, Party A shall use its commercially reasonable efforts to conduct its activities, or cause its affiliates to conduct their activities, in a manner consistent with the requirements of the safe harbor provided by Rule 10b-18 under the Exchange Act, as if such provisions were applicable to such purchases.

(c) For the purpose of Sections 4(a)(i) and 4(a)(ii) of the Agreement, Party A shall deliver to Party B on the Trade Date a properly executed Internal Revenue Service Form W-9 or similar documentation establishing an exemption from backup withholding under the Code, and shall deliver such documentation to Party B upon the reasonable request of Party B subsequent to the Trade Date.

Insolvency Filing:

Notwithstanding anything to the contrary herein, in the Agreement or in the Definitions, upon any Insolvency Filing in respect of Party B, the Transaction shall automatically terminate on the date thereof without further liability of either party to this Confirmation to the other party (except for any liability in respect of any breach of representation or covenant by a party under this Confirmation prior to the date of such Insolvency Filing); *provided* that if Party B has delivered to Party A a Settlement Notice electing Physical Settlement prior to the date of the Insolvency Filing, then the Transaction shall not automatically terminate with respect to the Settlement Shares designated in such Settlement Notice if such Settlement Shares are delivered to Party A through the Clearance System as contemplated by this Confirmation on the Settlement Date.

Extraordinary Dividends:

If an ex-dividend date for an Extraordinary Dividend occurs on or after the Trade Date and on or prior to the Maturity Date (or, if later, the last date on which Shares are delivered by Party B to Party A in settlement of the Transaction), Party B shall pay an amount, as determined by the Calculation Agent, in cash equal to the product of such Extraordinary Dividend and the Base Amount to Party A on the earlier of (i) the date on which such Extraordinary Dividend is paid by the Issuer to holders of record of the Shares or (ii) the Maturity Date. "Extraordinary Dividend" means the per Share amount of any cash dividend or distribution declared by the Issuer with respect to the Shares that is specified by the board of directors of the Issuer as an "extraordinary" dividend.

Acceleration Events:

The following events shall each constitute an "Acceleration Event":

(a) Stock Borrow Events. In the sole judgment of Party A (i) Party A (or its affiliate) is unable to hedge Party A's exposure to the Transaction because (A) of the lack of sufficient Shares being made available for Share borrowing by lenders, or (B) Party A (or an Affiliate of Party A) would incur a Stock Loan Fee to hedge its exposure to the Transaction that is greater than a rate equal to 200 basis points per annum (a "Stock Borrow Event");

(b) Dividends and Other Distributions. On any day occurring after the Trade Date Party B declares a distribution, issue or dividend to existing holders of the Shares of (i) any cash dividend (other than an Extraordinary Dividend) to the extent all cash dividends having an ex-dividend date during the period from and including any Forward Price Reduction Date (with the Trade Date being a Forward Price Reduction Date for purposes of this clause (b) only) to but excluding the next subsequent Forward Price Reduction Date exceeds, on a per Share basis, the Forward Price Reduction Amount set forth opposite the first date of any such period on Schedule I or (ii) share capital or securities of another issuer acquired or owned (directly or indirectly) by Party B as a result of a spin-off or other similar transaction or (iii) any other type of securities (other than Shares), rights or warrants or other assets, for payment (cash or other consideration) at less than the prevailing market price as determined by Party A;

(c) ISDA Early Termination Date. Either Party A or Party B has the right to designate an Early Termination Date pursuant to Section 6 of the Agreement;

(d) Other ISDA Events. The announcement of any event that if consummated, would result in an Extraordinary Event or the occurrence of any Change in Law or a Delisting; *provided* that in case of a Delisting, in addition to the provisions of Section 12.6(a)(iii) of the 2002 Definitions, it will also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market (or their respective successors); and *provided further* that the definition of "Change in Law" provided in Section 12.9(a)(ii) of the 2002 Definitions is hereby amended by (i) inserting the parenthetical "(including, for the avoidance of doubt and without limitation, adoption or promulgation of new regulations authorized or mandated by existing statute)" at the end of clause (A) thereof, (ii) replacing the phrase "the interpretation" in the third line thereof with the phrase "or public announcement of the formal or informal interpretation," and (iii) immediately following the word "Transaction" in clause (X) thereof, adding the phrase "in the manner contemplated by Party A on the Trade Date"; or

(d) Ownership Event. In the reasonable judgment of Party A, on any day, the Share Amount for such day exceeds the Post-Effective Limit for such day (if any applies).

For purposes of clause (f) above, the "Share Amount" as of any day is the number of Shares that Party A and any of its affiliates and any person whose ownership position would be aggregated with that of Party A, including any "group" (within the meaning of Section 13 of the Exchange Act) of which Party A is or may be deemed to be a part (Party A or any such person or group, a "Party A Person") under any law, rule, regulation or regulatory order that for any reason becomes applicable to ownership of Shares after the Trade Date ("Applicable Laws"), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership of under the Applicable Laws, as determined by Party A in its reasonable discretion. The "Post-Effective Limit" means (x) the minimum number of Shares that would give rise to reporting or registration obligations (other than any filing under Section 13 of the Exchange Act and the rules and regulations thereunder, in each case, as in effect on the Trade Date) or other requirements (including obtaining prior approval from any person or entity) of a Party A Person, or would result in an adverse effect on a Party A Person, under the Applicable Laws, as determined by Party A in its reasonable discretion (it being understood that reporting obligations under Section 13 or Section 16 of the Exchange Act and the rules and regulations thereunder, in each case, as in effect on the Trade Date, will not be deemed to have an adverse effect), *minus* (y) 1% of the number of Shares outstanding.

Termination Settlement:

Upon the occurrence of any Acceleration Event, Party A shall have the right to designate, upon at least one Scheduled Trading Day's notice, any Scheduled Trading Day following such occurrence to be a Settlement Date hereunder (a "Termination Settlement Date") to which Physical Settlement shall apply, and to select the number of Settlement Shares relating to such Termination Settlement Date; *provided* that (i) in the case of an Acceleration Event arising out of an Ownership Event, the number of Settlement Shares so designated by Party A shall not exceed the number of Shares necessary to reduce the Share Amount to the Post-Effective Limit and (ii) in the case of an Acceleration Event arising out of a Stock Borrow Event the number of Settlement Shares so designated by Party A shall not exceed the number of Shares as to which such Stock Borrow Event exists. If, upon designation of a Termination Settlement Date by Party A pursuant to the preceding sentence, Party B fails to deliver the Settlement Shares relating to such Termination Settlement Date when due or otherwise fails to perform obligations within its control in respect of the

Transaction, it shall be an Event of Default with respect to Party B and Section 6 of the Agreement shall apply. If an Acceleration Event occurs during an Unwind Period relating to a number of Settlement Shares to which Cash Settlement or Net Share Settlement applies, then on the Termination Settlement Date relating to such Acceleration Event, notwithstanding any election to the contrary by Party B, Cash Settlement or Net Share Settlement shall apply to the portion of the Settlement Shares relating to such Unwind Period as to which Party A has unwound its hedge and Physical Settlement shall apply in respect of (x) the remainder (if any) of such Settlement Shares and (y) the Settlement Shares designated by Party A in respect of such Termination Settlement Date.

Private Placement Procedures:

If Party B is unable to comply with the provisions of "Covenant of Party B" above because of a change in law or a change in the policy of the Securities and Exchange Commission or its staff, or Party A otherwise determines that in its reasonable opinion any Settlement Shares to be delivered to Party A by Party B may not be freely returned by Party A or its affiliates to securities lenders as described under "Covenant of Party B" above, then delivery of any such Settlement Shares (the "Restricted Shares") shall be effected pursuant to Annex A hereto, unless waived by Party A; *provided* that Party A may not otherwise determine that the Settlement Shares are Restricted Shares based solely upon Party A not having borrowed a number of Shares equal to the Base Amount on or before the Effective Date if there has been no change in law or a change in the policy of the Securities and Exchange Commission or its staff with respect thereto.

Rule 10b5-1:

It is the intent of Party A and Party B that following any election of Cash Settlement or Net Share Settlement by Party B, the purchase of Shares by Party A during any Unwind Period comply with the requirements of Rule 10b5-1(c)(1)(i)(B) of the Exchange Act and that this Confirmation shall be interpreted to comply with the requirements of Rule 10b5-1(c).

Party B acknowledges that (i) during any Unwind Period Party B does not have, and shall not attempt to exercise, any influence over how, when or whether to effect purchases of Shares by Party A (or its agent or affiliate) in connection with this Confirmation and (ii) Party B is entering into the Agreement and this Confirmation in good faith and not as part of a plan or scheme to evade compliance with federal securities laws including, without limitation, Rule 10b-5 promulgated under the Exchange Act.

Party B hereby agrees with Party A that during any Unwind Period Party B shall not communicate, directly or indirectly, any Material Non-Public Information (as defined herein) to any EDG Personnel (as defined below). For purposes of the Transaction, "Material Non-Public Information" means information relating to Party B or the Shares that (a) has not been widely disseminated by wire service, in one or more newspapers of general circulation, by communication from Party B to its shareholders or in a press release, or contained in a public filing made by Party B with the Securities and Exchange Commission or otherwise disseminated in a manner that satisfies the prompt public disclosure requirement of Regulation FD or any successor rule and (b) a reasonable investor might consider to be of importance in making an investment decision to buy, sell or hold Shares. For the avoidance of doubt and solely by way of illustration, information should be presumed "material" if it relates to such matters as dividend increases or decreases, earnings estimates, changes in previously released earnings estimates, significant expansion or curtailment of operations, a significant increase or decline of orders, significant merger or acquisition proposals or agreements, significant new products or discoveries, extraordinary borrowing, major litigation, liquidity problems, extraordinary management developments, purchase or sale of substantial assets, or other similar information For purposes of the

Transaction, "EDG Personnel" means any employee on the trading side of the Equity Derivatives Group of Wells Fargo Bank, National Association and does not include Ms. Mary Lou Guttmann, Mr. Michael D. Golden, Ms. Jenny M. Dahlen or Mr. Andrew R. Ralston (or any other person or persons designated from time to time in writing to Party B by the Compliance Group of Party A).

Maximum Share Delivery:

Notwithstanding any other provision of this Confirmation, in no event will Party B be required to deliver on any Settlement Date, whether pursuant to Physical Settlement, Net Share Settlement, Termination Settlement or any Private Placement Settlement, more than 2,320,000 Shares to Party A, subject to reduction by the amount of any Shares delivered by Party B on any prior Settlement Date.

Transfer and Assignment:

Party A may assign or transfer any of its rights or delegate any of its duties hereunder to any affiliate of Party A or any entity organized or sponsored by Party A without the prior written consent of Party B so long as (a) the obligations of such assignee or transferee hereunder and under the Agreement are guaranteed by Party A; (b) such assignee or transferee is organized under the laws of the United States or any State thereof; (c) Party B will not be required to pay to such assignee or transferee an amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) of the Agreement greater than the amount in respect of which Party B would have been required to pay Party A in the absence of such assignment or transfer; (d) Party B will not receive a payment from which an amount has been withheld or deducted on account of a Tax under Section 2(d)(i) of the Agreement in excess of that which Party A would have been required to so withhold or deduct in the absence of such assignment or transfer; and (e) no Event of Default, Potential Event of Default or Termination Event will occur as a result of such assignment or transfer. Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Party A to purchase, sell, receive or deliver any Shares or other securities to or from Party B, Party A may designate any of its affiliates (each, a "Designee") to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform Party A's obligations in respect of the Transaction and any such Designee may assume such obligations. Party A shall be discharged of its obligations to Party B only to the extent of performance by a Designee; Party A shall otherwise remain fully liable to Party B for all of its obligations under this Confirmation.

Matters Relating to Agent:

Each party agrees and acknowledges that (i) J.P. Morgan Securities LLC, as agent, (the "Agent") acts solely as agent on a disclosed basis with respect to the transactions contemplated hereunder, and (ii) the Agent has no obligation, by guaranty, endorsement or otherwise, with respect to the obligations of either Party B or Party A hereunder, either with respect to the delivery of cash or Shares, either at the beginning or the end of the transactions contemplated hereby. In this regard, each of Party A and Party B acknowledges and agrees to look solely to the other for performance hereunder, and not to the Agent.

Indemnity:

Party B agrees to indemnify Party A and its affiliates and their respective directors, officers, agents and controlling parties (Party A and each such affiliate or person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint and several, incurred by or asserted against such Indemnified Party arising out of, in connection with, or relating to, any breach of any covenant or representation made by Party B in this Confirmation or the Agreement and will reimburse any Indemnified Party for all reasonable expenses (including reasonable legal

fees and expenses) in connection with the investigation of, preparation for, or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto, but only to the extent that the relevant loss, claim, damage, liability or expense is found in a final and nonappealable judgment by a court of competent jurisdiction to have resulted from such breach. Party B will not be liable under this Indemnity paragraph to the extent that any loss, claim, damage, liability or expense is found in a final and nonappealable judgment by a court to have resulted from Party A's negligence or willful misconduct.

Notice:

Non-Reliance:	Applicable
Additional Acknowledgments:	Applicable
Agreements and Acknowledgments Regarding Hedging Activities:	Applicable

4. The Agreement is further supplemented by the following provisions:

No Collateral or Setoff:

Notwithstanding Section 6(f) or any other provision of the Agreement or any other agreement between the parties to the contrary, the obligations of Party B hereunder are not secured by any collateral. Obligations under the Transaction shall not be set off against any other obligations of the parties, whether arising under the Agreement, this Confirmation, under any other agreement between the parties hereto, by operation of law or otherwise, and no other obligations of the parties shall be set off against obligations under the Transaction, whether arising under the Agreement, this Confirmation, under any other agreement between the parties hereto, by operation of law or otherwise, and each party hereby waives any such right of setoff. In calculating any amounts under Section 6(e) of the Agreement, notwithstanding anything to the contrary in the Agreement, (a) separate amounts shall be calculated as set forth in such Section 6(e) with respect to (i) the Transaction and (ii) all other Transactions, and (b) such separate amounts shall be payable pursuant to Section 6(d)(ii) of the Agreement.

Status of Claims in Bankruptcy:

Party A acknowledges and agrees that this confirmation is not intended to convey to Party A rights with respect to the transactions contemplated hereby that are senior to the claims of common stockholders in any U.S. bankruptcy proceedings of Party B; *provided, however*, that nothing herein shall limit or shall be deemed to limit Party A's right to pursue remedies in the event of a breach by Party B of its obligations and agreements with respect to this Confirmation and the Agreement; and *provided further*, that nothing herein shall limit or shall be deemed to limit Party A's rights in respect of any transaction other than the Transaction.

Limit on Beneficial Ownership:

Notwithstanding any other provisions hereof, Party A shall not have the "right to acquire" (within the meaning of NYSE Rule 312.04(g)) Shares hereunder and Party A shall not be entitled to take delivery of any Shares deliverable hereunder (in each case, whether in connection with the purchase of Shares on any Settlement Date or any Termination Settlement Date, any Private Placement Settlement or otherwise) to the extent (but only to the extent) that, after such receipt of any Shares hereunder, (i) the Share Amount would exceed the Post-Effective Limit or (ii) Party A

and each person subject to aggregation of Shares with Party A under Section 13 or Section 16 of the Exchange Act and rules promulgated thereunder (the "Party A Group") would directly or indirectly beneficially own (as such term is defined for purposes of Section 13 or Section 16 of the Exchange Act and rules promulgated thereunder) in excess of 8,724,075 Shares (the "Threshold Number of Shares"). Any purported delivery hereunder shall be void and have no effect to the extent (but only to the extent) that, after such delivery, (i) the Share Amount would exceed the Post-Effective Limit or (ii) Party A Group would directly or indirectly so beneficially own in excess of the Threshold Number of Shares. If any delivery owed to Party A hereunder is not made, in whole or in part, as a result of this provision, Party B's obligation to make such delivery shall not be extinguished and Party B shall make such delivery as promptly as practicable after, but in no event later than one Exchange Business Day after, Party A gives notice to Party B that, after such delivery, (i) the Share Amount would not exceed the Post-Effective Limit and (ii) Party A Group would not directly or indirectly so beneficially own in excess of the Threshold Number of Shares.

In addition, notwithstanding anything herein to the contrary, if any delivery owed to Party A hereunder is not made, in whole or in part, as a result of the immediately preceding paragraph, Party A shall be permitted to make any payment due in respect of such Shares to Party B in two or more tranches that correspond in amount to the number of Shares delivered by Party B to Party A pursuant to the immediately preceding paragraph.

Delivery of Cash:

For the avoidance of doubt, nothing in this Confirmation shall be interpreted as requiring Party B to deliver cash in respect of the settlement of the Transaction, except (i) as set forth above under "Extraordinary Dividends," which is within Party B's control, (ii) in circumstances where Cash Settlement is within Party B's control (including, without limitation, where Party B elects to deliver or receive cash or where Party B has made a Private Placement Settlement in accordance with Annex A unavailable due to the occurrence of events within its control) or (iii) in those circumstances in which holders of Shares would also receive cash. For the avoidance of doubt, the preceding sentence shall not be construed as limiting any damages that may be payable by Party B as a result of breach of this Confirmation.

Wall Street Transparency and Accountability Act:

In connection with Section 739 of the Wall Street Transparency and Accountability Act of 2010 (the "WSTAA"), the parties hereby agree that neither the enactment of the WSTAA or any regulation under the WSTAA, nor any requirement under the WSTAA or an amendment made by the WSTAA, shall limit or otherwise impair either party's otherwise applicable rights to terminate, renegotiate, modify, amend or supplement this Confirmation or the Agreement, as applicable, arising from a termination event, force majeure, illegality, increased costs, regulatory change or similar event under this Confirmation, the 2002 Definitions incorporated herein, or the Agreement (including, but not limited to, rights arising from any Acceleration Event or Illegality (as defined in the Agreement)).

Miscellaneous:

(a) Addresses for Notices. For the purpose of Section 12(a) of the Agreement:

Address for notices or communications to Party A:

Wells Fargo Bank, National Association

Email: CorporateDerivativeNotifications@wellsfargo.com

Facsimile No: 212-214-5913

Address for notices or communications to Party B:

Address:	1025 Laurel Oak Road Voorhees, NJ 08043
Attention:	Charles Witherspoon
Title:	Vice President & Treasurer
Telephone No:	856-310-5546
Email:	charles.witherspoon@amwater.com

(b) **Waiver of Right to Trial by Jury. Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or proceeding relating to this Confirmation.** Each party (i) certifies that no representative, agent or attorney of the other party has represented, expressly or otherwise, that such other party would not, in the event of such a suit action or proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other party have been induced to enter into this Confirmation by, among other things, the mutual waivers and certifications herein.

Acknowledgements:

The parties hereto intend for:

(a) the Transaction to be a "securities contract" as defined in Section 741(7) of Title 11 of the United States Code (the "Bankruptcy Code"), qualifying for the protections under Section 555 of the Bankruptcy Code;

(b) a party's right to liquidate the Transaction and to exercise any other remedies upon the occurrence of any Event of Default under the Agreement with respect to the other party to constitute a "contractual right" as defined in the Bankruptcy Code;

(c) Party A to be a "financial institution" within the meaning of Section 101(22) of the Bankruptcy Code; and

(d) all payments for, under or in connection with the Transaction, all payments for the Shares and the transfer of such Shares to constitute "settlement payments" as defined in the Bankruptcy Code.

If Party A is a bank regulated by the Federal Deposit Insurance Corporation, (i) Party A recognizes and intends that this Transaction is, and shall constitute, a "qualified financial contract" as that term is defined in 12 U.S.C. §1821(e)(8)(d)(i), as the same may be amended, modified, or supplemented from time to time; and (ii) Party A represents and warrants that it is authorized by appropriate corporate action under applicable law to enter into this Transaction as evidenced by the execution hereof by an officer of Party A at the level of vice president or higher.

Severability:

If any term, provision, covenant or condition of this Confirmation, or the application thereof to any party or circumstance, shall be held to be invalid or unenforceable in whole or in part for any reason, the remaining terms, provisions, covenants, and conditions hereof shall continue in full force and effect as if this Confirmation had been executed with the invalid or unenforceable provision eliminated, so long as this Confirmation as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of this Confirmation and the deletion of such portion of this Confirmation will not substantially impair the respective benefits or expectations of parties to this Agreement; provided, however, that this severability provision shall not be applicable if any provision of Section 2, 5, 6 or 13 of the Agreement (or any definition or provision in Section 14 to the extent that it relates to, or is used in or in connection with any such Section) shall be so held to be invalid or unenforceable.

Tax Matters:

(a) For the purpose of Section 3(e), each of Party A and Party B makes the following representation: It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 9 (h) of the Agreement and any other payments of interest and penalty charges for late payment) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of the Agreement; (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of the Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of the Agreement; and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of the Agreement; provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) For the purpose of Section 3(f) of the Agreement:

(i) Party A makes the following representation(s):

(A) It is a "U.S. person" (as that term is used in section 1.1441-4(a)(3)(ii) of United States Treasury Regulations) for U.S. federal income tax purposes.

(B) It is a national banking association organized and existing under the laws of the United States of America and is an exempt recipient under Treasury Regulation Section 1.6049-4(c)(1)(ii)(M).

(ii) Party B makes the following representation(s):

(A) It is a "U.S. person" (as that term is used in section 1.1441-4(a)(3)(ii) of United States Treasury Regulations) for U.S. federal income tax purposes.

(B) It is a corporation for U.S. federal income tax purposes and is organized under the laws of the State of Delaware and is an exempt recipient under Treasury Regulation Section 1.6049-4(c)(1)(ii)(A)

(c) Withholding Tax imposed on payments to non-U.S. counterparties under the United States Foreign Account Tax Compliance Act. "Tax" and "Indemnifiable Tax", each as defined in

Section 14 of the Agreement, shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a "FATCA Withholding Tax"). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of the Agreement.

(d) HIRE Act. "Tax" and "Indemnifiable Tax", each as defined in Section 14 of the Agreement, shall not include any tax imposed on payments treated as dividends from sources within the United States under Section 871(m) of the Code or any regulations issued thereunder.

Other Forward:

Party A acknowledges that Party B has entered into a substantially identical forward transaction for the Shares on the date hereof (the "Other Forward") with JPMorgan Chase Bank, National Association. Party A and Party B agree that if Party B designates a Settlement Date with respect to the Other Forward and for which Cash Settlement or Net Share Settlement is applicable, and the resulting Unwind Period for such Other Forward coincides for any period of time with an Unwind Period for this Transaction (the "Overlap Unwind Period"), Party B shall notify Party A prior to the commencement of such Overlap Unwind Period, and Party A shall only be permitted to purchase Shares to unwind its hedge in respect of this Transaction on and the resulting Unwind Period shall include only every second Exchange Business Day that is not a Suspension Day during such Overlap Unwind Period (in the case of an Overlap Unwind Period that coincides with an Unwind Period under the Other Forward), in each case as notified by Party B, commencing on the first or second Exchange Business Day of such Overlap Unwind Period, as notified by Party B. For the avoidance of doubt the operation of this "Other Forward" provision shall not be deemed to give rise to a Disrupted Day or other adjustment to this Transaction.

[Remainder of page intentionally left blank**]**

Please confirm that the foregoing correctly sets forth the terms of our agreement by signing and returning this Confirmation.

Yours faithfully,

WELLS FARGO BANK, NATIONAL ASSOCIATION,

By: /s/ Thomas Yates
Name: Thomas Yates
Title: Managing Director

Confirmed as of the date first written above:

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ Charles Witherspoon
Name: Charles Witherspoon
Title: Vice President and Treasurer

ANNEX A

PRIVATE PLACEMENT PROCEDURES

(i) If Party B delivers the Restricted Shares pursuant to this clause (i) (a "Private Placement Settlement"), then delivery of Restricted Shares by Party B shall be effected in customary private placement procedures with respect to such Restricted Shares reasonably acceptable to Party A; *provided* that if, on or before the date that a Private Placement Settlement would occur, Party B has taken, or caused to be taken, any action that would make unavailable either the exemption pursuant to Section 4(a)(2) of the Securities Act for the sale by Party B to Party A (or any affiliate designated by Party A) of the Restricted Shares or the exemption pursuant to Section 4(a)(1) or Section 4(a)(3) of the Securities Act for resales of the Restricted Shares by Party A (or any such affiliate of Party A) or Party B fails to deliver the Restricted Shares when due or otherwise fails to perform obligations within its control in respect of a Private Placement Settlement, it shall be an Event of Default with respect to Party B and Section 6 of the Agreement shall apply. The Private Placement Settlement of such Restricted Shares shall include customary representations, covenants, blue sky and other governmental filings and/or registrations, indemnities to Party A, due diligence rights (for Party A or any designated buyer of the Restricted Shares by Party A), opinions and certificates, and such other documentation as is customary for private placement agreements, all reasonably acceptable to Party A. In the case of a Private Placement Settlement, Party A shall, in its good faith discretion, adjust the number of Restricted Shares to be delivered to Party A hereunder in a commercially reasonable manner to reflect the fact that such Restricted Shares may not be freely returned to securities lenders by Party A and may only be saleable by Party A at a discount to reflect the lack of liquidity in Restricted Shares. Notwithstanding the Agreement or this Confirmation, the date of delivery of such Restricted Shares shall be the Clearance System Business Day following notice by Party A to Party B of the number of Restricted Shares to be delivered pursuant to this clause (i). For the avoidance of doubt, delivery of Restricted Shares shall be due as set forth in the previous sentence and not be due on the Settlement Date or Termination Settlement Date that would otherwise be applicable.

(ii) If Party B delivers any Restricted Shares in respect of the Transaction, Party B agrees that (i) such Shares may be transferred by and among Party A and its affiliates and (ii) after the minimum "holding period" within the meaning of Rule 144(d) under the Securities Act has elapsed after the applicable Settlement Date, Party B shall promptly remove, or cause the transfer agent for the Shares to remove, any legends referring to any transfer restrictions from such Shares upon delivery by Party A (or such affiliate of Party A) to Party B or such transfer agent of seller's and broker's representation letters customarily delivered by Party A or its affiliates in connection with resales of restricted securities pursuant to Rule 144 under the Securities Act, each without any further requirement for the delivery of any certificate, consent, agreement, opinion of counsel, notice or any other document, any transfer tax stamps or payment of any other amount or any other action by Party A (or such affiliate of Party A).

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Section 1: 8-K (FORM 8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 12, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01. Regulation FD Disclosure.

On April 12, 2018, American Water issued an investor presentation related to (i) the entry by American Water Enterprises, LLC ("AWE") into a Stock Purchase Agreement, dated April 11, 2018, to acquire all of the capital stock of Nicor Energy Services Company, doing business as Pivotal Home Solutions, from Southern Company Gas, a subsidiary of The Southern Company, and (ii) a strategic update. AWE is a wholly owned subsidiary of American Water.

On April 12, 2018, American Water is holding a conference call to discuss the matters described above. The conference call will be accessible via dial-in conference call and pursuant to prior notice announced by American Water's press release issued on April 11, 2018. A copy of the investor presentation to be used in connection with the conference call is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in response to this Item 7.01, including Exhibit 99.1 hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit No.	Description of Exhibit
99.1	American Water Works Company, Inc. Investor Presentation, dated April 12, 2018

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: April 12, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EX-99.1)

Forward-Looking Statements

Certain statements in this presentation including, without limitation, 2018 earnings guidance, projected long-term earnings growth, the level of future capital expenditures, future dividend growth, estimates regarding the company's projected financial condition, and the projected growth and size of the market based businesses, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and/or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation as a result of the factors discussed in our Annual Report on Form 10-K for the year ended Dec. 31, 2017, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions, taxes, permitting and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; limitations on the availability of our water supplies or sources of water, or restrictions on our use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, water quality and emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; the outcome of litigation and similar governmental proceedings, investigations or actions, including matters related to the Freedom Industries chemical spill in West Virginia and the preliminarily approved global class action settlement agreement related to this chemical spill; our ability to appropriately maintain current infrastructure, including our operational and information technology ("IT") systems, and manage the expansion of our business; exposure or infiltration of our critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber attacks or other means; our ability to obtain permits and other approvals for projects; changes in our capital requirements; our ability to control operating expenses and to achieve efficiencies in our operations; the intentional or unintentional actions of a third party, including contamination of our water supplies or water provided to our customers; our ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for our operations; our ability to successfully meet growth projections for our business and capitalize on growth opportunities, including our ability to, among other things, acquire and integrate water and wastewater systems into our regulated operations, and enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of our operations; our ability to maintain safe work sites; our exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, our water service and management solutions that are focused on customers in the natural gas exploration and production market; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on us or our current or future debt that could increase our financing costs or funding requirements or affect our ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase our cost and funding requirements; changes in federal or state general, income and other tax laws, including any further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the Tax Cuts and Jobs Act, the availability of tax credits and tax abatement programs, and our ability to utilize our U.S. federal and state income tax net operating loss carryforwards; migration of customers into or out of our service territories; the use by municipalities of the power of eminent domain or other authority to condemn our systems, or the assertion by private landowners of similar rights against us; any difficulty or inability to obtain insurance, our inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or an inability to obtain reimbursement under existing insurance programs for any losses sustained; the incurrence of impairment charges related to our goodwill or other assets; labor actions, including work stoppages and strikes; the ability to retain and attract qualified employees; civil disturbances or terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; obtaining the regulatory consents and approvals required to complete, and satisfying other conditions to the closing of, the acquisition described in this presentation; our ability to finance the purchase price of such acquisition; the occurrence of the benefits and synergies expected or predicted to occur as a result of the completion of such acquisition; unexpected costs, liabilities or delays associated with such acquisition or the integration of the business represented thereby; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in our annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this presentation. We do not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on our businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Why the Deal Makes Sense…

Excellent Strategic & Cultural Fit

- **Opportunistic** acquisition that strengthens platform for **growth**
- Successful business at AWK for **16 years** and Pivotal for **25 years**
- Leverages core competencies
- Strong **customer-focused** culture on both sides
- Strengthened **talent** pool

Financially Attractive

- 2018 EPS neutral
- **EPS accretion** gradually grows to $0.12 per share by 2022
- Strong platform for long-term organic, **capital-light growth**
- Cash flow **positive**
- Improves AWK **credit metrics**
- **ROE to grow above** regulated weighted average authorized
- Sustains **predominantly regulated** utility risk profile
  - Total **MBB remains < 15%** of EPS through 2022

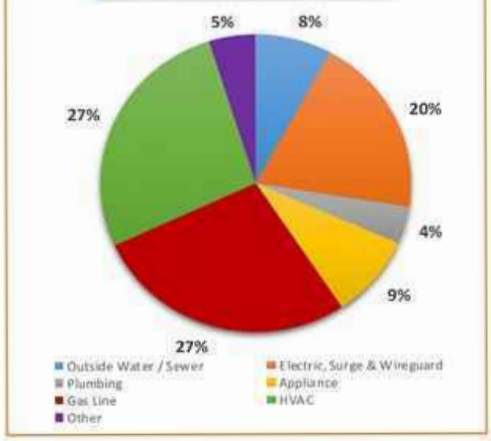
Homeowner Services (HOS) + Pivotal : Highly Complementary

	Pivotal	HOS	Combined
2017 Revenue *(in millions)*	$130	$147	$277
Contracts *(in millions)*	1.2	1.7	2.9
% On Bill	93%	74%	82%
States Served	18	44*	44*
# of Employees	323	176	499

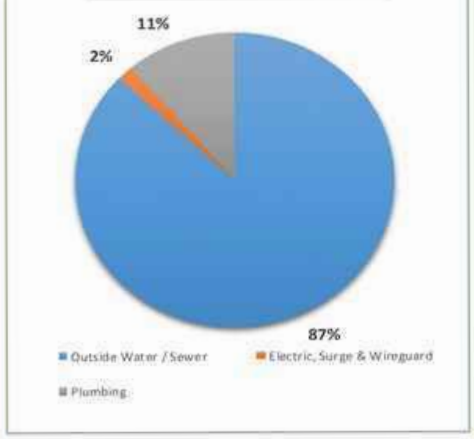
** Includes District of Columbia*

Contract Types

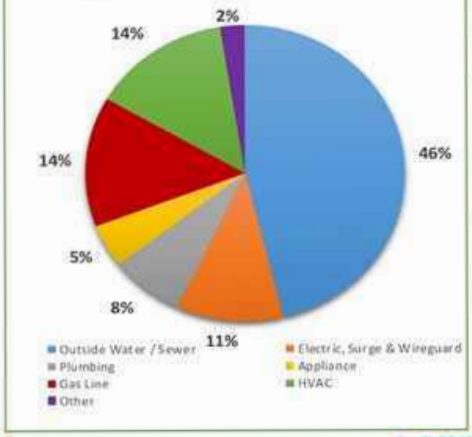
Pivotal

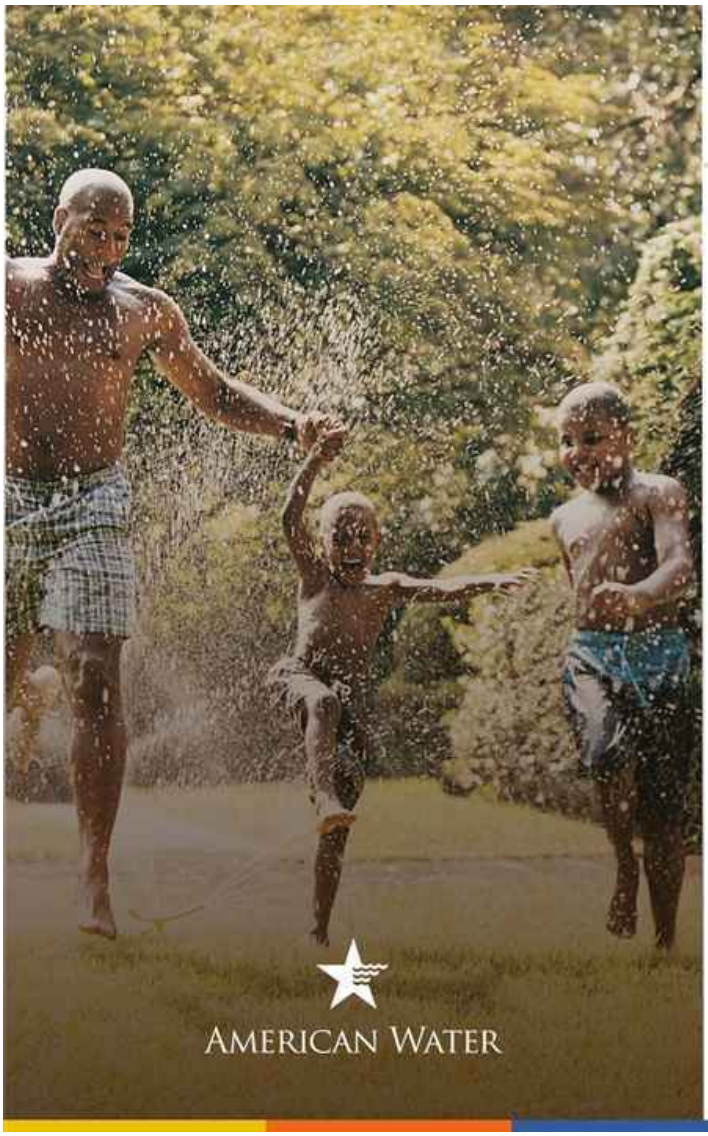


HOS



Combined





Financial Overview of the Deal

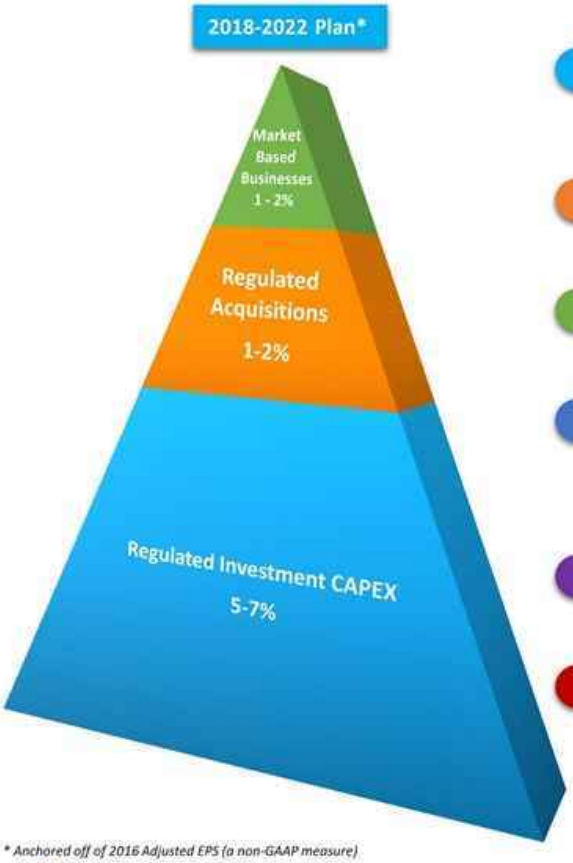
Strong Financial Deal

- ✓ Purchase Price **$365 million**, includes ~$7 million of estimated working capital
- ✓ EBITDA multiple of ~**7.5x**
- ✓ **Opportunistic** acquisition **above $8.0-$8.6 billion** five year capital plan
- ✓ Financed ~**50% equity**/50% debt
- ✓ **Equity forward** provides price certainty; delays full issuance of shares

Accretive to Financial Metrics

- ✓ **Long Term EPS** accretion gradually grows to $0.12 per share by 2022
  - **Additional upside** may be achieved through synergies over time
- ✓ IRR **>20%**
- ✓ **ROE** to grow above regulated weighted average authorized
- ✓ **Cash flow** from MBBs increases >30%
- ✓ Improves AWK **credit metrics**

Post Transaction: Delivering a stronger 7 – 10%* Target Long-Term EPS CAGR



- Affirming 2018 EPS guidance range of **$3.22 - $3.32**
  - ✓ Pivotal Transaction **EPS Neutral** in 2018 after certain transition costs
- Long-term growth expected to be in **top half** of our 7-10%* target EPS CAGR guidance
- Market-Based businesses EPS CAGR increased from ~1% to a targeted range of **1 – 2%**
- Maintaining our estimated **$8.0 - $8.6 billion** five year capital investment (not including transaction) with continued focus on customer affordability
- **No further equity need** going forward under normal operating conditions
- **No fundamental change** to AWK risk profile
  - ✓ Total MBB remains **< 15%** of EPS through 2022

** Anchored off of 2016 Adjusted EPS (a non-GAAP measure)*

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Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 2, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On May 2, 2018, the Company issued a press release announcing its financial results for the first quarter ended March 31, 2018. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit	Description
99.1	Press Release, dated May 2, 2018, issued by American Water Works Company, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 2, 2018

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1 - EARNINGS PRESS RELEASE DATED MAY 2, 2018)

Exhibit 99.1

May 2, 2018

Edward Vallejo
Vice President, Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and Federal Affairs
856-309-4546
maureen.duffy@amwater.com

AMERICAN WATER REPORTS FIRST QUARTER 2018 RESULTS

- **First quarter 2018 diluted earnings per share (GAAP) $0.59 compared to $0.52 in the first quarter of 2017**
- **Strong results in both the Regulated Businesses and the Market-Based Businesses**
- **Increased quarterly dividend by 9.6 percent to 45.5 cents per diluted common share**
- **Company affirms 2018 earnings guidance range of $3.22 to $3.32 per diluted share**

VOORHEES, N.J., May 2, 2018 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter ended March 31, 2018.

“We are off to a strong start this year with first quarter 2018 earnings per share up 13.5 percent compared to last year. Our first quarter results demonstrate that American Water employees continue to grow our business through the consistent execution of our strategies,” said Susan Story, president and CEO of American Water. "Reflecting the company’s strong performance, the Board of Directors approved a 9.6 percent increase in

our quarterly dividend to 45.5 cents per share, marking the sixth year in a row that the dividend increases at or above the top of the long-term EPS compound annual growth range.

“During the quarter, we saw growth in both our Regulated and Market-Based Businesses. We invested $343 million to better serve our customers and added approximately 5,200 customers to date through closed acquisitions and organic growth. We also recently announced our agreement to acquire the Alton, Illinois Regional Wastewater System, " added Story. "Our employees have lived, worked and served water in this great city for over 140 years and we welcome these 23,000 new wastewater customers when we close, expected in the first quarter of 2019.

“In our Market-Based Businesses, we recently announced the acquisition of Pivotal Home Solutions, a leading provider of home warranty protection products and services that is highly complementary to our Homeowner Services Group. We have been in this business for 16 years, and we are excited to welcome the great men and women of Pivotal into the American Water family upon close of the transaction expected in the second quarter.”

Consolidated Results

In the first quarter 2018, income from continuing operations increased $0.07 per diluted share compared to the prior year. Net income from the Regulated Businesses increased $0.05 per diluted share or 9.4 percent from an increase in authorized revenue driven by capital investments, acquisitions and organic growth. Net income from the Market-Based Businesses increased $0.03 per diluted share, primarily from stronger results in the Homeowner Services Group, compared to the prior year and the Parent decreased $0.01 per diluted share from the lower tax shield on interest expense.

For the first three months of 2018, the company made capital investments of approximately $343 million, including $302 million dedicated primarily to improving infrastructure in the Regulated Businesses, and $8 million for regulated acquisitions. American Water plans to invest in the range of $1.9 billion to $2.1 billion, including the acquisition of Pivotal Home Solutions (“Pivotal”), across its footprint in 2018, with the majority dedicated to providing safe, clean and reliable service to its customers.

On April 11, 2018, AWE entered into an agreement to acquire all of the capital stock of Pivotal from a Southern Company subsidiary. Pivotal is a leading provider of home warranty protection products and services, operating in 18 states with approximately 1.2 million customer contracts. The purchase price is approximately $365 million, including an estimated $7 million of working capital. This transaction, which is subject to obtaining regulatory consents and approvals and the satisfaction of other customary closing conditions, is expected to close in the second quarter of 2018 and be financed with approximately 50% debt and 50% equity. American Water entered into an equity forward transaction that substantially eliminates future equity market price risk, while mitigating immediate share dilution resulting from the transaction until funds are needed in connection with the closing of the acquisition.

Regulated Businesses

In the first quarter of 2018, net income in the Regulated Businesses was $104 million, compared to $94 million for the same period in 2017. Regulated revenue increased $7 million driven by a $39 million increase from additional authorized revenue and surcharges to support infrastructure investments, acquisitions, and organic growth; partially offset by $32 million of deferred revenue resulting from the lower federal tax rate under the Tax Cut and Jobs Act ("TCJA") that is estimated to be refunded to customers. This increase was partially offset by higher O&M expense of $19 million which includes higher production expense of $6 million due to purchased water price and usage increases in our California subsidiary and the remaining $13 million is to support regulated acquisition growth and higher main breaks from the harsh frigid weather conditions across several regulated states. In addition, depreciation expense increased $5 million from infrastructure investment growth. Income taxes were lower by $22 million from the lower federal tax rate under the TCJA.

Through May 2, 2018, the company received additional annualized revenues of approximately $95 million from general rate cases and approximately $15 million from infrastructure surcharges. The company is awaiting final orders for general rate cases in three states for a total annualized revenue request of approximately $165 million, adjusted for certain impacts of the TCJA. The extent to which requested rate increases will be granted by the applicable regulatory agencies will vary.

For the 12-month period ended March 31, 2018, the company's adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) improved to 35.6 percent, compared to 36.6 percent for the 12-month period ended March 31, 2017. For period-to-period comparability purposes, both of these ratios present the estimated impact of the TCJA on operating revenues for the Regulated Businesses on a pro forma basis, as if the lower federal corporate income tax rate was in effect for these periods. By reducing O&M expense as a proportion of revenue, American Water is able to make investments in needed capital improvements without significantly impacting customer bills.

Market-Based Businesses

In the first quarter of 2018, net income in the Market-Based Businesses was $12 million, compared to $7 million for the same period in 2017. The increase was primarily driven by growth in the Homeowner Services Group through customer growth and cost management and the impact of the lower federal income tax rate under the TCJA.

On April 11, 2018, American Water announced the signing of an agreement to acquire Pivotal Home Solutions, which is the home warranty business owned by Southern Company subsidiary Southern Gas. With this acquisition, Homeowner Services will be the second largest provider of utility home warranty products in the United States. In addition, the highly complementary acquisition strengthens American Water's platform for cross selling products and organic growth.

Dividends

On Apr 20, 2018, American Water's board of directors declared a quarterly cash dividend payment of $0.455 per share of common stock, payable on Jun 1, 2018, to all stockholders of record as of May 11, 2018.

2018 Earnings Guidance

American Water has affirmed its 2018 earnings guidance to a GAAP range of $3.22 - $3.32 per diluted share. The company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual and quarterly reports filed with the Securities and Exchange Commission ("SEC").

Non-GAAP Financial Measures

This press release includes a presentation of the adjusted Regulated O&M efficiency ratio, which, in addition to the pro forma adjustment for the impact of the TCJA, excludes from its calculation estimated purchased water revenues and purchased water expenses, the impact of certain Freedom Industries, Inc. chemical spill settlement activities recognized in 2016 and 2017, the impact of the company's adoption of Accounting Standard Update 2017-07 related to net periodic pension and post-retirement benefit costs for 2016, 2017 and 2018, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. This item constitutes a "non-GAAP financial measure" under SEC rules. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the company's GAAP disclosures and should not be considered an alternative to any GAAP measure.

Management believes that the presentation of this measure is useful to investors because it provides a means of evaluating the company's operating performance without giving effect to items that are not reflective of management's ability to increase efficiency of the company's regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical performance, management relies, in part, on trends in the company's historical results, exclusive of estimated revenues and expenses related to purchased water, the Freedom Industries chemical spill settlement activities and the allocable portion of non-O&M support services costs. The company's definition of this metric may not be comparable to the same or similar measures used by other companies, and, accordingly, this non-GAAP financial measure may have significant limitations on its use.

Set forth in this release is a table that reconciles each of the components used to calculate adjusted O&M efficiency ratio to the most directly comparable GAAP financial measure.

First Quarter 2018 Earnings Conference Call

The first quarter 2018 earnings conference call will take place on Thursday, May 3, 2018, at 9 a.m. Eastern Daylight Time. Interested parties may listen to the conference call over the Internet by logging on to the Investor Relations page of the company's website at https://amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online. The company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, an audio archive of the call will be available through May 10, 2018. U.S. callers may access the audio archive toll-free by dialing 1-877-344-7529. International callers may listen by dialing 1-412-317-0088. The access code for replay is 10119526. The online webcast will be available at American Water's investor relations homepage at http://ir.amwater.com through June 3, 2018. After that, the archived webcast will be available for one year at http://ir.amwater.com.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,900 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 46 states and Ontario, Canada. More information can be found by visiting amwater.com.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2018 earnings guidance, the outcome of pending acquisition activity and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements

within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could” and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended Dec. 31, 2017, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions’ actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, and other decisions; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; potential costs and liabilities of American Water for environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, water management solutions focused on customers in the shale natural gas exploration and production market; the outcome of litigation and similar government actions, including matters related to the Freedom Industries chemical spill in West Virginia, and the preliminarily approved global class action settlement related to this chemical spill; weather conditions, and events, climate change patterns, and natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its operational and information technology (“IT”) systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers; exposure or infiltration of its critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber-attacks or other disruptions; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with, or otherwise obtain, new customers in its Market-based Businesses; cost overruns relating to improvements in or the expansion of its operations; its ability to maintain safe work sites; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or funding requirements or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income, general and other tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water’s goodwill or other assets; civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; the impact of new accounting standards or changes to existing standards; obtaining regulatory consents and approvals required to complete, and satisfying other conditions to the closing of, the acquisition of Pivotal Home Solutions; the timing of the closing of the acquisition; our ability to finance the purchase price of this acquisition; the occurrence of the benefits and synergies expected or predicted to occur as a result of the completion of the acquisition; unexpected costs, liabilities or delays associated with the acquisition or the integration of the business, operations and employees; the timing and method of settlement of the forward sale agreements; and the amount and intended use of proceeds that may be received from the settlement of the forward sale agreements.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations (Unaudited)

(In millions, except per share data)

	For the Three Months Ended March 31,	
	2018	**2017**
Operating revenues	$ 761	$ 756
Operating expenses:		
Operation and maintenance	347	334
Depreciation and amortization	129	124
General taxes	70	68
Gain on asset dispositions and purchases	(2)	—
Total operating expenses, net	544	526
Operating income	217	230
Other income (expense):		
Interest, net	(84)	(85)
Non-operating benefit costs, net	3	(3)
Other, net	4	3
Total other income (expense)	(77)	(85)
Income before income taxes	140	145
Provision for income taxes	34	52
Net income attributable to common stockholders	$ 106	$ 93
Basic earnings per share:		
Net income attributable to common stockholders	$ 0.60	$ 0.52
Diluted earnings per share:		
Net income attributable to common stockholders	$ 0.59	$ 0.52
Weighted-average common shares outstanding:		
Basic	178	178
Diluted	179	179
Dividends declared per common share	$ —	$ —

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

	March 31, 2018	December 31, 2017
ASSETS		
Property, plant and equipment	$ 21,995	$ 21,716
Accumulated depreciation	(5,518)	(5,470)
Property, plant and equipment, net	16,477	16,246
Current assets:		
Cash and cash equivalents	55	55
Restricted funds	26	27
Accounts receivable, net	273	272
Unbilled revenues	188	212
Materials and supplies	42	41
Other	145	113
Total current assets	729	720
Regulatory and other long-term assets:		
Regulatory assets	1,062	1,061
Goodwill	1,379	1,379
Other	81	76
Total regulatory and other long-term assets	2,522	2,516
Total assets	$ 19,728	$ 19,482

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

	March 31, 2018	December 31, 2017
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 182,723,455 and 182,508,564 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,438	6,432
Accumulated deficit	(617)	(723)
Accumulated other comprehensive loss	(75)	(79)
Treasury stock, at cost (4,683,156 and 4,064,010 shares, respectively)	(297)	(247)
Total common stockholders' equity	5,451	5,385
Long-term debt	6,396	6,490
Redeemable preferred stock at redemption value	7	8
Total long-term debt	6,403	6,498
Total capitalization	11,854	11,883
Current liabilities:		
Short-term debt	1,183	905
Current portion of long-term debt	421	322
Accounts payable	133	195
Accrued liabilities	495	630
Taxes accrued	64	33
Interest accrued	84	73
Other	159	167
Total current liabilities	2,539	2,325
Regulatory and other long-term liabilities:		
Advances for construction	265	271
Deferred income taxes, net	1,585	1,551
Deferred investment tax credits	22	22
Regulatory liabilities	1,673	1,664
Accrued pension expense	390	384
Accrued post-retirement benefit expense	39	40
Other	74	66
Total regulatory and other long-term liabilities	4,048	3,998
Contributions in aid of construction	1,287	1,276
Commitments and contingencies		
Total capitalization and liabilities	$ 19,728	$ 19,482

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)
In millions

	For the Twelve Months Ended March 31,	
(In millions)	**2018**	**2017**
Total operation and maintenance expenses	$ 1,388	$ 1,493
Less:		
Operation and maintenance expenses—Market-Based Businesses	329	361
Operation and maintenance expenses—Other	(48)	(44)
Total operation and maintenance expenses—Regulated Businesses	1,107	1,176
Less:		
Regulated purchased water expenses	131	122
Allocation of non-operation and maintenance expenses	30	28
Impact of Freedom Industries settlement activities (a)	(22)	65
Impact of adoption of ASU 2017-07 (b)	6	5
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 962	$ 956
Total operating revenues	$ 3,362	$ 3,315
Less:		
Pro forma adjustment for impact of the TCJA (c)	129	163
Total pro forma operating revenues	3,233	3,152
Less:		
Operating revenues—Market-Based Businesses	419	440
Operating revenues—Other	(22)	(21)
Total pro forma operating revenues—Regulated Businesses	2,836	2,733
Less:		
Regulated purchased water revenues (d)	131	122
Adjusted pro forma operating revenues—Regulated Businesses (ii)	$ 2,705	$ 2,611
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	35.6%	36.6%

NOTE The adjusted O&M efficiency ratio previously reported for the twelve months ended March 31, 2017 was 34.6%, which did not include the adjustments for the items discussed in footnotes (b) and (c) below.

(a) Includes the impact of the binding global agreement in principle to settle claims in 2016 and a settlement with one of our general liability insurance carriers in 2017.

(b) Includes the impact of the Company's adoption of ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit*, on January 1, 2018.

(c) Includes the estimated impact of the TCJA on operating revenues for our Regulated Businesses for all periods presented prior to January 1, 2018, as if the lower federal income tax rate was in effect for these periods.

(d) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Section 1: 8-K (8-K - 2018 ANNUAL MEETING)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 11, 2018

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 5.07. Submission of Matters to a Vote of Security Holders.

The 2018 Annual Meeting of Stockholders (the "2018 Annual Meeting") of American Water Works Company, Inc., a Delaware corporation (the "Company"), was held on May 11, 2018. An aggregate of 159,953,201 shares, or 89.8% of the Company's issued and outstanding common stock as of March 15, 2018, the record date for the 2018 Annual Meeting, was represented in person or by proxy at the 2018 Annual Meeting, constituting a quorum. The results of voting at the 2018 Annual Meeting on each of the matters submitted to a vote of the Company's stockholders thereat is as set forth below.

1. The following eight nominees were elected as directors of the Company for a term expiring at the 2019 Annual Meeting of Stockholders, and until their successors are duly elected and qualified, and received the votes set forth adjacent to their names below:

Director Nominee	For	Against	Abstain	Broker Non-Votes
Jeffrey N. Edwards	137,451,276	264,166	398,511	21,839,248
Martha Clark Goss	133,861,043	3,870,770	382,140	21,839,248
Veronica M. Hagen	137,430,458	293,737	389,758	21,839,248
Julia L. Johnson	136,134,443	1,587,731	391,779	21,839,248
Karl F. Kurz	137,395,858	321,610	396,485	21,839,248
George MacKenzie	134,240,736	3,481,024	392,193	21,839,248
James G. Stavridis	137,411,761	305,492	396,700	21,839,248
Susan N. Story	133,926,302	3,801,823	385,828	21,839,248

2. The stockholders approved, on an advisory basis, the compensation of our named executive officers by the following vote:

For	Against	Abstain	Broker Non-Votes
133,661,315	3,819,135	633,503	21,839,248

3. The ratification of the appointment, by the Audit Committee of the Board of Directors (the "Board"), of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2018, was approved by the following vote:

For	Against	Abstain
154,461,016	5,016,547	475,638

4. The following non-binding stockholder proposals were not approved by the following votes:

Proposal Name	For	Against	Abstain	Broker Non-Votes
Human Right to Water and Sanitation	18,371,982	115,527,756	4,214,215	21,839,248
Lobbying Expenditures	52,460,422	77,817,643	7,835,888	21,839,248
Political Contributions	53,820,194	81,466,463	2,827,296	21,839,248

Item 8.01. Other Events.

Appointment of Chairman and Board Committee Members

Following the 2018 Annual Meeting, the Board appointed director Karl F. Kurz to serve as Chairman of the Board and the following directors to be members of the Board's standing committees, effective as of May 11, 2018 and until the 2019 Annual Meeting of Shareholders or until his or her earlier death, resignation or removal:

Committee	Members
Audit, Finance and Risk	Martha Clark Goss (Chair), Jeffrey N. Edwards, George MacKenzie and Admiral James G. Stavridis
Executive Development and Compensation	Julia L. Johnson (Chair), Martha Clark Goss and Veronica M. Hagen
Nominating/Corporate Governance	George MacKenzie (Chair), Veronica M. Hagen and Julia L. Johnson
Safety, Environmental, Technology and Operations	Veronica M. Hagen (Chair), Jeffrey N. Edwards and Admiral James G. Stavridis

Implementation of Provisional Water and Wastewater Rates in New Jersey

On May 11, 2018, New Jersey-American Water Company, Inc. ("NJAWC"), a wholly owned subsidiary of the Company, filed to implement approximately $75 million in provisional rates for water and wastewater service while the New Jersey Board of Public Utilities (the "NJBPU") reviews NJAWC's general rate case, which was filed on September 15, 2017. In this general rate case, NJAWC has requested $117 million in additional annualized water and wastewater revenues, which reflect the reduction in the federal corporate income tax rate resulting from the Tax Cuts and Jobs Act. The provisional rates will take effect on June 15, 2018 and will remain in effect, subject to refund, until the NJPBU renders its final decision on NJAWC's general rate case, which is expected later in 2018.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 11, 2018

By: /s/ MICHAEL A. SGRO
Michael A. Sgro
Executive Vice President, General Counsel and Secretary

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Section 1: 8-K (AWK-8K-20161231)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 21, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

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☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On February 21, 2017, the Company issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2016. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit	Description
99.1	Press Release, dated February 21, 2017, issued by American Water Works Company, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: February 21, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
9.1*	Press Release, dated February 21, 2017, issued by American Water Works Company, Inc.

* Furnished herewith.

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

Feb. 21, 2017

Edward Vallejo
Vice President, Financial Planning and Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and External Affairs
856-309-4546
maureen.duffy@amwater.com

AMERICAN WATER REPORTS 2016 FOURTH QUARTER AND YEAR-END RESULTS

- **2016 GAAP diluted earnings per share were $2.62; adjusted diluted earnings per share were $2.84 (a non-GAAP measure), excluding the $0.22 per share impact of the Freedom Industries chemical spill binding global agreement in principle (the "Settlement")**
- **Fourth quarter 2016 GAAP diluted earnings per share were $0.57**
- **Company affirms 2017 earnings guidance from continuing operations of $2.98 to $3.08 per diluted share**
- **Projects 2017 dividend growth to be at the top of long term EPS compound annual growth range of 7 to 10 percent**

VOORHEES, N.J., Feb. 21, 2017 – American Water Works Company, Inc. (NYSE: AWK) today reported results for the fourth quarter and year ended Dec. 31, 2016.

"American Water continued our strong growth in 2016." said Susan Story, president and CEO of American Water. "We invested a record $1.5 billion in 2016, the majority of which was for infrastructure which improves our long-term service reliability and water quality for our customers. We also added approximately 42,000 customers through acquisitions, 13,000 through organic growth and have pending acquisitions representing another 40,000 customers."

"Additionally, we achieved exceptional drinking water quality results which were 21 times better than the industry average. We further improved our O&M efficiency ratio to 34.9 percent, allowing us to continue to invest in our infrastructure while keeping our services affordable for our customers," added Story. "Through a continued focus on engaged employees, smart investments, safe and efficient operations and highly satisfied customers, American Water has a pathway to sustainable growth and financial performance."

Consolidated Results

The company's three months and year ended results are included in the table below.

	For the Three Months Ended December 31,			For the Year Ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Diluted earnings per share:						
Net income attributable to common stockholders	$ 0.57	$ 0.55	3.6%	$ 2.62	$ 2.64	(0.8%)
Plus						
Impact of the Settlement	-	-		0.36	-	
Tax Impact of the Settlement	-	-		(0.14)	-	
Net Adjustment	-	-		0.22	-	
Adjusted diluted earnings per share:	$ 0.57	$ 0.55	3.6%	$ 2.84	$ 2.64	7.6%

In the fourth quarter 2016, income from continuing operations increased $0.02 per diluted share compared to the prior year. Net income from the Regulated Businesses was up $0.01 per diluted share with continued strong revenue growth partially offset by the timing of certain operation and maintenance (O&M) expenses. Net income from the Market-based Businesses was up $0.01 per diluted share primarily due to price redeterminations in the Military Services Group.

For the full year 2016, GAAP income from continuing operations decreased $0.02 per diluted share compared to the prior year. Included in the 2016 amount was an after-tax charge of $39 million, or $0.22 per diluted share, related to the Settlement. Excluding the impact of the Settlement, net income was $2.84, up 7.6 percent mainly due to the Regulated Businesses from additional authorized revenue from investments, acquisitions and organic growth. Although the Military Services Group was able to offset some of the previously discussed headwinds, net income in the Market-based Businesses was slightly down for the year.

On Oct. 31, 2016, a federal court in West Virginia approved the preliminary principles, terms and conditions of a binding global agreement in principle to settle all consolidated claims in both federal and state courts arising from the Freedom Industries chemical spill on Jan. 9, 2014. The Settlement is not an admission of any liability or fault on the part of the company or its employees. The Settlement resulted in a $39 million, or $0.22 per share, after-tax charge recognized in the third quarter.

For the full year 2016, the company made capital investments of approximately $1.5 billion, a record level of investment, including $1.3 billion to improve infrastructure in the Regulated Businesses to provide safe, clean and reliable service to its customers and over $199 million for regulated acquisitions.

Regulated Businesses

For the fourth quarter 2016, net income in the Regulated Businesses was $98 million, compared to $96 million for the same period in 2015. These results were driven by additional authorized revenue and surcharges to support infrastructure investments, acquisitions and organic growth. Partially offsetting increased revenue was higher O&M expense, largely due to timing of certain maintenance, repairs, and tank painting completed in the fourth quarter of 2016.

For the full year 2016, net income was $472 million, compared to $473 million for the same period in 2015. Excluding the $39 million after-tax impact of the Settlement, adjusted net income (a non-GAAP financial measure) for 2016 was $511 million, up $38 million from prior year. These results were primarily due to revenue growth of $128 million to support continued infrastructure investments to benefit customers, and acquisitions and organic growth, partially offset by higher depreciation expense from increased infrastructure investments.

For the full year 2016, the company received approximately $92 million in additional annualized authorized revenues from general rate cases, step increases, and infrastructure charges. Following the close of 2016, the company also received approximately $3 million in additional annualized revenues from infrastructure surcharges and approximately $31 million from general rate cases. The company is awaiting final orders or proposed settlements for general rate cases in four states, requesting approximately $57 million in total additional revenues, $5 million step increases, and $10 million in infrastructure surcharges. The extent to which requested rate increases will be granted by the applicable regulatory agencies will vary.

For the full year 2016, adjusted O&M efficiency ratio (a non-GAAP financial measure) improved to 34.9 percent, compared to 35.9 percent for the full year of 2015. By reducing O&M expense as a proportion of revenue, American Water is able to make investments in needed capital improvements without significantly impacting customer bills.

Market-based Businesses

For the fourth quarter of 2016, net income in the Market-based Businesses was $13 million, compared to $11 million for the same period in 2015. The Military Services Group was able to overcome previously discussed headwinds with price redeterminations and the 2016 addition of Vandenberg Air Force Base.

For the full year 2016, net income was $39 million, compared to $42 million for the same period in 2015. Although revenue at the Homeowner Services Group was higher by $11 million, it was more than offset by higher claims, marketing expenses, and costs associated with an investment in a new customer information system. Also, Keystone Clearwater results for the year were essentially earnings neutral, as anticipated.

Dividends

On Dec. 9, 2016, American Water's board of directors declared a quarterly cash dividend payment of $0.375 per share of common stock, payable on Mar. 1, 2017, to all stockholders of record as of Feb. 7, 2017.

American Water's dividend has increased at the top end of its long-term 7 to 10 percent EPS compound annual growth range over the last four years. As the company continues to execute on its strategy and earnings growth, it expects 2017 dividend growth to be at the top of the long term EPS growth range. Future dividends are subject to approval of the American Water Board of Directors.

2017 Earnings Guidance

American Water has affirmed its 2017 earnings guidance from continuing operations to be in the range of $2.98 - $3.08 per diluted share. The company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual and quarterly reports filed with the Securities and Exchange Commission (SEC).

Non-GAAP Financial Measures

This press release includes a presentation of adjusted net income and adjusted diluted earnings per share. These items constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. Adjusted net income and adjusted earnings per share are defined as GAAP net income attributable to common stockholders and diluted earnings per common share, respectively, in each case excluding the impact of the Settlement in the third quarter of 2016. These non-GAAP financial measures supplement the company's GAAP disclosures and should not be considered alternatives to the GAAP measures.

Management uses adjusted earnings per share to evaluate the company's period-over-period performance and as a performance goal in both the company's annual and long-term compensation programs, and believes that the presentation of these non-GAAP financial measures is useful to the company's investors because it provides an indication of the company's baseline performance excluding an item that is not considered to be reflective of ongoing results. Management does not intend results excluding the adjustment to represent results as defined by GAAP, and the reader should not consider them as indicators of the company's performance. The company's definition of these non-GAAP financial measures may not be comparable to the same or similar measures used by other companies, and, accordingly, they may have significant limitations on their use.

This press release also includes a presentation of the adjusted Regulated O&M efficiency ratio, which excludes from its calculation estimated purchased water revenues and purchased water expenses, the impact of the Settlement, the impact of abnormal weather, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. This item constitutes a "non-GAAP financial measure" under SEC rules. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the company's GAAP disclosures and should not be considered an alternative to any GAAP measure.

Management believes that the presentation of this measure is useful to investors because it provides a means of evaluating the company's operating performance without giving effect to items that are not reflective of management's ability to increase efficiency of the company's regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical performance, management relies, in part, on trends in the company's historical results, exclusive of estimated revenues and expenses related to purchased water, abnormal weather, the Settlement and the allocable portion of non-O&M support services costs. The company's definition of this metric may not be comparable to the same or similar measures used by other companies, and, accordingly, this non-GAAP financial measure may have significant limitations on its use.

Set forth in this release are tables that reconcile adjusted earnings per share and the components used to calculate adjusted O&M efficiency ratio to the most directly comparable GAAP financial measure.

2016 Year-end and Fourth Quarter Earnings Conference Call

The 2016 year-end and fourth quarter earnings conference call will take place on Wednesday, February 22, 2017, at 9 a.m. Eastern Standard Time. Interested parties may listen to the conference call over the Internet by logging on to the Investor Relations page of the company's website at https://amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online. The company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, an audio archive of the call will be available through March 1, 2017. U.S. callers may access the audio archive toll-free by dialing 1-877-344-7529. International callers may listen by dialing 1-412-317-0088. The access code for replay is 10100048. The online webcast will be available at American Water's investor relations homepage at http://ir.amwater.com through March 24, 2017. After that, the archived webcast will be available for one year at http://ir.amwater.com.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,800 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting amwater.com.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2017 earnings guidance, projected dividend growth, the outcome of pending acquisition activity and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2016, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, and other decisions; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; potential costs and liabilities of American Water for environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, water management solutions focused on customers in the natural gas exploration and production market; the outcome of litigation and government action related to the Freedom Industries chemical spill in West Virginia, including matters pertaining to the Settlement; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, electrical storms and solar flares; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its operational and information technology (IT) systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers; exposure or infiltration of its critical infrastructure, operational technology and IT systems through physical or cyber-attacks or other disruptions; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with, or otherwise obtain, new customers in its Market-based Businesses; cost overruns relating to improvements in or the expansion of its operations; our ability to maintain safe work sites; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or funding requirements or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new accounting standards or changes to existing standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations
In millions except per share data

	Three Months Ended December 31,		For the Years Ended December 31,	
	2016	2015	2016	2015
	(Unaudited)			
Operating revenues	$ 802	$ 783	$ 3,302	$ 3,159
Operating expenses:				
Operation and maintenance	373	380	1,504	1,404
Depreciation and amortization	120	112	470	440
General taxes	63	59	258	243
Gain on asset dispositions and purchases	(2)	—	(10)	(3)
Total operating expenses, net	554	551	2,222	2,084
Operating income	248	232	1,080	1,075
Other income (expenses):				
Interest, net	(83)	(79)	(325)	(308)
Other, net	1	5	15	15
Total other income (expenses)	(82)	(74)	(310)	(293)
Income before income taxes	166	158	770	782
Provision for income taxes	65	59	302	306
Net income attributable to common stockholders	$ 101	$ 99	$ 468	$ 476
Basic earnings per share				
Net income attributable to common stockholders	$ 0.57	$ 0.55	$ 2.63	$ 2.66
Diluted earnings per share				
Net income attributable to common stockholders	$ 0.57	$ 0.55	$ 2.62	$ 2.64
Weighted-average common shares outstanding				
Basic	178	179	178	179
Diluted	178	180	179	180
Dividends declared per common share	$ 0.75	$ 0.68	$ 1.50	$ 1.36

American Water Works Company, Inc. and Subsidiary Companies
Condensed Consolidated Balance Sheet Information
In millions

	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 75	$ 45
Other current assets	709	612
Total property, plant and equipment	14,992	13,933
Total regulatory and other long-term assets	2,706	2,651
Total Assets	$ 18,482	$ 17,241
Short-term debt	$ 849	$ 628
Current portion of long-term debt	574	54
Other current liabilities	969	851
Long-term debt	5,759	5,874
Total regulatory and other long-term liabilities	3,895	3,664
Contributions in aid of construction	1,218	1,121
Total stockholders' equity	5,218	5,049
Total Capitalization and Liabilities	$ 18,482	$ 17,241

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)
In millions

	2016	2015	2014
		(in millions)	
Total operation and maintenance expenses	$ 1,504	$ 1,404	$ 1,350
Less:			
Operation and maintenance expenses—Market-Based Businesses	372	358	289
Operation and maintenance expenses—Other	(44)	(49)	(51)
Total regulated operation and maintenance expenses	1,176	1,095	1,112
Less:			
Regulated purchased water expenses	122	117	122
Allocation of non-operation and maintenance expenses	30	35	39
Impact of Freedom Industries chemical spill in West Virginia	—	—	10
Impact of binding global agreement in principle	65	—	—
Estimated impact of weather	—	—	(2)
Adjusted regulated operation and maintenance expenses (a)	$ 959	$ 943	$ 943
Total operating revenues	$ 3,302	$ 3,159	$ 3,011
Less:			
Operating revenues—Market-Based Businesses	451	434	355
Operating revenues—Other	(20)	(18)	(18)
Total regulated operating revenues	2,871	2,743	2,674
Less:			
Regulated purchased water revenues*	122	117	122
Add:			
Impact of Freedom Industries chemical spill in West Virginia	—	—	1
Estimated impact of weather	—	—	17
Adjusted regulated operating revenues (b)	$ 2,749	$ 2,626	$ 2,570
Adjusted O&M efficiency ratio (a)/(b)	34.9%	35.9%	36.7%

*Calculation assumes purchased water revenues approximate purchased water expenses.

Section 1: 8-K (AWK-8K-20170331)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 3, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with

any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On May 3, 2017, the Company issued a press release announcing its financial results for the first quarter ended March 31, 2017. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit	Description
99.1	Press Release, dated May 3, 2017, issued by American Water Works Company, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 3, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
9.1*	Press Release, dated May 3, 2017, issued by American Water Works Company, Inc.

* Furnished herewith.

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

May 03, 2017

Edward Vallejo
Vice President, Financial Planning and Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and External Affairs
856-309-4546
maureen.duffy@amwater.com

AMERICAN WATER REPORTS FIRST QUARTER 2017 RESULTS

- **First quarter 2017 diluted earnings per share from continuing operations increased 13.0 percent to 52 cents compared to the first quarter 2016**
- **Increased quarterly dividend by approximately 10.7 percent to 41.5 cents per diluted common share**
- **Company affirms 2017 earnings guidance from continuing operations of $2.98 to $3.08 per diluted share**

VOORHEES, N.J., May 03, 2017– American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter ended Mar. 31, 2017.

“Our first quarter results demonstrate that American Water employees continue to grow our business by focusing on our customers and communities,” said Susan Story, president and CEO of American Water. “Our results were solid, with first quarter 2017 earnings per diluted share up 13.0 percent compared to last year. Reflecting the company’s solid performance, the Board of Directors approved a 10.7 percent increase in our quarterly dividend to 41.5 cents per share, marking the fifth year in a row that the dividend increases are at or above the top of the long-term EPS growth range.

“The Regulated businesses continued to execute on growth, investing approximately $242 million this quarter on infrastructure to better serve our customers and adding approximately 16,700 customers to date through closed acquisitions and organic growth. We also continued our focus of making improvements in O&M efficiency, allowing us to keep our services affordable,” added Story.

Consolidated Results

In the first quarter 2017, income from continuing operations increased $0.06 per diluted share compared to the prior year. Net income from the Regulated Businesses increased 8.1 percent or $0.04 per diluted share from authorized revenue growth driven by capital investments, acquisitions and organic growth. Net income from the Market-based Businesses increased 8.6 percent or $0.01 per diluted share. Finally, the Parent had a tax

benefit of $0.02 per diluted share related to the new accounting standard for stock based compensation, partially offset by higher interest expense of $0.01 per diluted share.

During the first quarter 2017, the company made capital investments of approximately $242 million, including $223 million to improve infrastructure in the Regulated Businesses to provide safe, clean and reliable service to its customers and $19 million for strategic and other capital investment. American Water plans to invest about $1.5 billion across its footprint in 2017, with the majority to improve its water and wastewater systems.

Regulated Businesses

For the first quarter 2017, net income in the Regulated Businesses was $94.1 million, compared to $87.1 million for the same period in 2016. Regulated revenue increased $24.7 million through additional authorized revenue and surcharges to support infrastructure investments,

acquisitions, and organic growth, slightly offset by lower demand. Partially offsetting the increases in revenue was higher depreciation expense of $8 million associated with infrastructure investment growth.

During the first quarter of 2017, the company received additional annualized revenues of approximately $34 million from general rate cases and step increases and $13 million in additional annualized revenues from infrastructure surcharges. The company is awaiting final orders or proposed settlements for general rate cases in four states and filed infrastructure surcharge in one, requesting approximately $170 million in total additional annualized revenues. The extent to which requested rate increases will be granted by the applicable regulatory agencies will vary.

For the 12-month period ended March 31, 2017, the adjusted O&M efficiency ratio (a non-GAAP financial measure) improved to 34.6 percent, compared to 35.6 percent for the 12-month period ended March 31, 2016. By reducing O&M expense as a proportion of revenue, American Water is able to make investments in needed capital improvements without significantly impacting customer bills.

Market-based Businesses

For the first quarter of 2017, net income in the Market-based Businesses was $6.6 million, compared to $6.1 million for the same period in 2016. The Homeowner Services Group and Keystone had slight net income increases, partially offset by lower capital upgrades in the Military Services Group, including completion of a major project at Fort Polk in Louisiana in mid-2016.

Dividends

On April 21, 2017, American Water's board of directors declared a quarterly cash dividend payment of 41.5 cents per share of common stock, an increase of 10.7 percent compared to the previous quarterly dividend payment, payable on June 1, 2017, to all stockholders of record as of May 5, 2017.

American Water's dividend has now increased at or above the top of its long-term 7 to 10 percent earnings per share compound annual growth range for five consecutive years.

2017 Earnings Guidance

American Water has affirmed its 2017 earnings guidance from continuing operations to be in the range of $2.98 - $3.08 per diluted share. The company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual and quarterly reports filed with the Securities and Exchange Commission ("SEC").

Non-GAAP Financial Measures

This press release includes a presentation of the adjusted Regulated O&M efficiency ratio, which excludes from its calculation estimated purchased water revenues and purchased water expenses, the impact of the binding global agreement in principle to settle claims associated with the Freedom Industries, Inc. chemical spill in West Virginia (the "Settlement"), and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. This item constitutes a "non-GAAP financial measure" under SEC rules. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the company's GAAP disclosures and should not be considered an alternative to any GAAP measure.

Management believes that the presentation of this measure is useful to investors because it provides a means of evaluating the company's operating performance without giving effect to items that are not reflective of management's ability to increase efficiency of the company's regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical performance, management relies, in part, on trends in the company's historical results, exclusive of estimated revenues and expenses related to purchased water, the Settlement and the allocable portion of non-O&M support services costs. The company's definition of this metric may not be comparable to the same or similar measures used by other companies, and, accordingly, this non-GAAP financial measure may have significant limitations on its use.

Set forth in this release is a table that reconciles each of the components used to calculate adjusted O&M efficiency ratio to most directly comparable GAAP financial measure.

First Quarter 2017 Earnings Conference Call

The first quarter earnings 2017 conference call will take place on Thursday, May 4, 2017, at 9 a.m. Eastern Standard Time. Interested parties may listen to the conference call over the Internet by logging on to the Investor Relations page of the company's website at https://amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online. The company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, an audio archive of the call will be available through May 11, 2017. U.S. callers may access the audio archive toll-free by dialing 1-877-344-7529. International callers may listen by dialing 1-412-317-0088. The access code for replay is 10104445. The online webcast will be available at American Water's investor relations homepage at http://ir.amwater.com through June 8, 2017. After that, the archived webcast will be available for one year at http://ir.amwater.com.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,800 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting amwater.com.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2017 earnings guidance, projected dividend growth, the outcome of pending acquisition activity and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2016, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, and other decisions; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; potential costs and liabilities of American Water for environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, water management solutions focused on customers in the natural gas exploration and production market; the outcome of litigation and government action related to the Freedom Industries chemical spill in West Virginia, including matters pertaining to the Settlement; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, electrical storms and solar flares; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its operational and information technology ("IT") systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers; exposure or infiltration of its critical infrastructure, operational technology and IT systems through physical or cyber-attacks or other disruptions; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with, or otherwise obtain, new customers in its Market-based Businesses; cost overruns relating to improvements in or the expansion of its operations; our ability to maintain safe work sites; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or funding requirements or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new accounting standards or changes to existing standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or

combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
In millions except per share data

	For the Three Months Ended March 31,	
	2017	2016
Operating revenues	$ 756	$ 743
Operating expenses:		
Operation and maintenance	337	348
Depreciation and amortization	124	116
General taxes	68	66
Gain on asset dispositions and purchases	-	(1)
Total operating expenses, net	529	529
Operating income	227	214
Other income (expenses):		
Interest, net	(85)	(80)
Other, net	3	2
Total other income (expenses)	(82)	(78)
Income from continuing operations before income taxes	145	136
Provision for income taxes	52	54
Net income attributable to common stockholders	93	82
Basic earnings per share:		
Net income attributable to common stockholders	$ 0.52	$ 0.46
Diluted earnings per share:		
Net income attributable to common stockholders	$ 0.52	$ 0.46
Weighted average common shares outstanding		
Basic	178	178
Diluted	179	179
Dividends declared per common share	—	—

American Water Works Company, Inc. and Subsidiary Companies
Condensed Consolidated Balance Sheet Information (Unaudited)
In millions

	March 31, 2017	December 31, 2016
Cash and cash equivalents	$ 78	$ 75
Other current assets	689	709
Property, plant and equipment, net	15,128	14,992
Total regulatory and other long-term assets	2,715	2,706
Total Assets	$ 18,610	$ 18,482
Short-term debt	$ 980	$ 849
Current portion of long-term debt	574	574
Other current liabilities	864	969
Total long-term debt	5,753	5,759
Total regulatory and other long-term liabilities	3,927	3,895
Contributions in aid of construction	1,225	1,218
Total common stockholders' equity	5,287	5,218
Total Capitalization and Liabilities	$ 18,610	$ 18,482

American Water Works Company, Inc. and Subsidiary Companies

Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)

In millions

(In millions)	For the Twelve Months Ended March 31, 2017	2016
Total operation and maintenance expenses	$ 1,493	$ 1,428
Less:		
Operation and maintenance expenses—Market-Based Businesses	361	383
Operation and maintenance expenses—Other	(44)	(46)
Total operation and maintenance expenses—Regulated Businesses	1,176	1,091
Less:		
Regulated purchased water expenses	122	116
Allocation of non-operation and maintenance expenses	28	33
Impact of Freedom Industries binding global agreement in principle	65	—
Adjusted operation and maintenance expenses—Regulated Businesses (a)	$ 961	$ 942
Total operating revenues	$ 3,315	$ 3,204
Less:		
Operating revenues—Market-Based Businesses	440	461
Operating revenues—Other	(21)	(19)
Total regulated operating revenues—Regulated Businesses	2,896	2,762
Less:		
Regulated purchased water revenues*	122	116
Adjusted operating revenues—Regulated Businesses (b)	$ 2,774	$ 2,646
Adjusted operation and maintenance efficiency ratio—Regulated Businesses (a)/(b)	34.6%	35.6%

*Calculation assumes purchased water revenues approximate purchased water expenses.

Section 1: 8-K (8-K - 2017 ANNUAL MEETING OF STOCKHOLDERS)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 12, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) The following compensatory plans and arrangements of American Water Works Company, Inc., a Delaware corporation (the "Company"), were approved by stockholders of the Company at the Company's 2017 Annual Meeting of Stockholders (the "2017 Annual Meeting") held on May 12, 2017, the Executive Development and Compensation Committee (the "Compensation Committee") of the Board of Directors of the Company (the "Board") at its April 20, 2017 meeting, or the Board at its May 12, 2017 annual meeting:

American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan

On February 15, 2017, the Board of Directors of the Company (the "Board") adopted the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"), subject to stockholder approval at the 2017 Annual Meeting. The purpose of the 2017 Omnibus Plan is to incentivize eligible participants (including executive officers, and directors of the Company who are not employees of the Company or any subsidiary) to achieve the Company's long-term business objectives by providing opportunities to earn equity awards tied to the Company's long-term goals and continued employment with the Company. For a description of the material terms and conditions of the 2017 Omnibus Plan (including the specific performance goal criteria set forth thereunder), see "Proposal 4: Approval of the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan – Summary of Material Terms of the 2017 Omnibus Plan" included in the Company's definitive Proxy Statement dated March 27, 2017 (the "Proxy Statement"), which description has been filed herewith as Exhibit 99.1 hereto and is incorporated by reference in response to this Item 5.02(e). Such description is qualified in its entirety by reference to the full text of the 2017 Omnibus Plan, a copy of which has been filed herewith as Exhibit 10.1 to this Form 8-K, and is incorporated by reference in response to this Item 5.02(e).

On April 20, 2017, the Compensation Committee approved, subject to stockholder approval of the 2017 Omnibus Plan, forms of grant terms and conditions to be used in connection with grants of restricted stock unit and performance stock unit awards under the 2017 Omnibus Plan to participants (including executive officers). Each such form has been filed herewith as an exhibit to this Form 8-K.

As noted in response to Item 5.07 below, the 2017 Omnibus Plan was approved by the stockholders of the Company on May 12, 2017. Also, on May 12, 2017, the Board approved the form of grant terms and conditions to be used in connection with grants of stock units under the 2017 Omnibus Plan to directors of the Company who are not employees of the Company or any subsidiary thereof. This form has been filed herewith as an exhibit to this Form 8-K.

American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan

On February 15, 2017, the Board adopted the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan (the "2017 ESPP"), subject to stockholder approval at the 2017 Annual Meeting. The purpose of the 2017 ESPP is to provide a convenient and easy way for the Company's employees to purchase shares of the Company's common stock at a 10 percent discount. For a description of the material terms and conditions of the 2017 ESPP, see "Proposal 5: Approval of the American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan – Summary of Material Terms of the 2017 ESPP" included in the Proxy Statement, which description has been filed herewith as Exhibit 99.2 hereto and is incorporated by reference in response to this Item 5.02(e). Such description is qualified in its entirety by reference to the full text of the 2017 ESPP, a copy of which has been filed herewith as Exhibit 10.2 to this Form 8-K, and is incorporated by reference in response to this Item 5.02(e). As noted in response to Item 5.07 below, the 2017 ESPP was approved by the stockholders of the Company on May 12, 2017.

Item 5.07. Submission of Matters to a Vote of Security Holders.

The 2017 Annual Meeting was held on May 12, 2017. An aggregate of 158,101,366 shares, or 89.0% percent of the Company's issued and outstanding common stock as of March 16, 2017, the record date for the 2017 Annual Meeting, was represented in person or by proxy at the 2017 Annual Meeting, constituting a quorum. The results of voting at the 2017 Annual Meeting on each of the matters submitted to a vote of the Company's stockholders thereat is as set forth below.

1. The following eight nominees were elected as directors of the Company for a term expiring at the 2018 Annual Meeting of Stockholders, and until their successors are duly elected and qualified, and received the votes set forth adjacent to their names below:

Director Nominee	For	Against	Abstain	Broker Non-Votes
Julie A. Dobson	134,879,571	219,869	101,638	22,900,288
Paul J. Evanson	134,349,342	737,445	114,291	22,900,288
Martha Clark Goss	131,004,764	4,089,291	107,023	22,900,288
Veronica M. Hagen	134,809,000	288,198	103,880	22,900,288
Julia L. Johnson	133,447,545	1,652,399	101,134	22,900,288
Karl F. Kurz	134,821,077	265,725	114,276	22,900,288
George MacKenzie	130,804,339	4,285,473	111,266	22,900,288
Susan N. Story	132,027,048	3,071,063	102,967	22,900,288

2. The approval, on an advisory basis, of the compensation of the Company's named executive officers received the votes set forth below:

For	Against	Abstain	Broker Non-Votes
130,283,379	4,577,658	340,041	22,900,288

3. The approval, on an advisory basis, of the frequency of the approval, on an advisory basis, of the compensation of the Company's named executive officers, received the votes set forth below:

One Year	Two Years	Three Years	Abstain	Broker Non-Votes
118,665,727	462,081	15,672,298	400,972	22,900,288

Consistent with the results of this vote, the Company will continue to implement an annual vote, on an advisory basis, of the compensation of the Company's named executive officers, until the next required vote, on an advisory basis, on the frequency of such votes, which, pursuant to Section 14A(a)(2) of the Securities Exchange Act of 1934, as amended, will occur no later than the Company's 2023 Annual Meeting of Stockholders.

4. The 2017 Omnibus Plan was approved by the following vote:

For	Against	Abstain	Broker Non-Votes
127,107,382	7,672,085	421,611	22,900,288

5. The 2017 ESPP was approved by the following vote:

For	Against	Abstain	Broker Non-Votes
134,208,542	662,048	330,488	22,900,288

6. The ratification of the appointment, by the Audit Committee of the Board of Directors, of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2017, was approved by the following vote:

For	Against	Abstain
154,262,925	3,573,186	265,255

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following exhibits have been filed as a part of this Form 8-K:

Exhibit No.	Description of Exhibit
10.1	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference from Appendix B to the Proxy Statement, File No. 001-34028, filed March 27, 2017).
10.2	American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan (incorporated by reference from Appendix C to the Proxy Statement, File No. 001-34028, filed March 27, 2017).
10.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant.
10.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (for certain executives).
10.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1.
10.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-2.
10.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1.
10.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-2.
10.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Stock Unit Grant Form for Non-Employee Directors.
99.1*	Description of Material Terms of the 2017 Omnibus Plan (excerpted from pages 70 through 79 of the Proxy Statement).
99.2*	Description of Material Terms of the 2017 ESPP (excerpted from pages 82 through 86 of the Proxy Statement).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 12, 2017

By: /s/ MICHAEL A. SGRO
Michael A. Sgro
Executive Vice President, General Counsel and Secretary

EXHIBIT INDEX

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* Filed herewith.

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Section 2: EX-10.3 (EX-10.3 - 2017 OMNIBUS PLAN - 2017 RESTRICTED STOCK UNIT GRANT)

Exhibit 10.3

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of [____], 2017 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2017 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraph (c) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant continues to be employed

by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 1, 2018	1/3
January 1, 2019	1/3
January 1, 2020	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 1, 2020, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraph (c) below, if at any time prior to January 1, 2020, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If at any time prior to January 1, 2020, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months of the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in the Plan), death or Disability (as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Agreement, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or

in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan.

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's

Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in Paragraph 3(c) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a)To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b)The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c)As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted) and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed

during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, such notices may be delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void

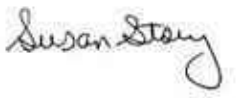
a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

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Section 3: EX-10.4 (EX-10.4 - 2017 OMNIBUS PLAN - 2017 RESTRICTED STOCK UNIT GRANT (FOR CERTAIN EXECUTIVES))

Exhibit 10.4

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of [____], 2017 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2017 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraph (c) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant continues to be employed

by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 1, 2018	1/3
January 1, 2019	1/3
January 1, 2020	1/3

(b) The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 1, 2020, if the Participant is employed by, or providing service to, the Employer on such date. Except as provided in subparagraphs (c) and (d) below, if at any time prior to January 1, 2019, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) Subject to subparagraph (d) below, if at any time prior to January 1, 2020, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(d) If, on or after January 1, 2018, but prior to January 1, 2020, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Participant's termination of employment or service on account of Normal Retirement. For purposes of this Grant, the term (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty-two (62) and five (5) total years of employment or service with the Employer and (ii) "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(e) If at any time prior to January 1, 2020, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months of the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause, death or Disability (as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Agreement, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraph 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock

Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in Paragraph 3(e) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a)To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b)The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c)As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted) and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not

limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to dividend equivalent rights as provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, such notices may be delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

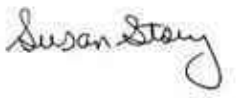
20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

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Section 4: EX-10.5 (EX-10.5 - 2017 OMNIBUS PLAN - 2017 PERFORMANCE STOCK UNIT GRANT - FORM A-1)

Exhibit 10.5

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of [____], 2017, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2017 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the performance goal relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1.Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby

grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the performance goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the performance goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3.Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal described in subparagraph (b) below for the Performance Period and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2016, and December 31, 2019, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. Dividend adjusted stock prices shall be obtained from Bloomberg. The dividend adjusted price obtained from Bloomberg provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$TSR = \frac{(\text{Dividend Adjusted Ending Stock Price} - \text{Dividend Adjusted Initial Stock Price})}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the performance goal has been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months of the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause, death or Disability (as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2017 and ending December 31, 2019, and the term "Peer Group" shall mean those companies included in Exhibit A as of January 1, 2017. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(e), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination

for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2018, but prior to January 1, 2019; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2020. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 1, 2018 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the performance goal. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2020 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the performance goal and service condition will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in

Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2017 LTPP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such

preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant,

capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for

purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, such notices may be delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

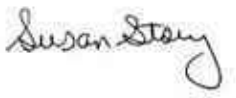
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. Avista Corporation
5. CMS Energy Corporation
6. Eversource Energy
7. Great Plains Energy, Inc.
8. NiSource, Inc.
9. Pinnacle West Capital Corporation
10. PNM Resources, Inc.
11. SCANA Corporation
12. UGI Corporation
13. Vectren Corporation
14. WGL Holdings, Inc.
15. Wisconsin Energy Corporation

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Section 5: EX-10.6 (EX-10.6 - 2017 OMNIBUS PLAN - 2017 PERFORMANCE STOCK UNIT GRANT FORM A-2)

Exhibit 10.6

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of [_____], 2017, (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit, and two performance

stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2017 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the performance goal relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1.Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the performance goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the performance goal described in Paragraph 3 below (the "Target Award").

2.Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal described in subparagraph (b) below for the Performance Period and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2016, and December 31, 2019, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. Dividend adjusted stock prices shall be obtained from Bloomberg. The dividend adjusted price obtained from Bloomberg provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$TSR = \frac{\text{(Dividend Adjusted Ending Stock Price – Dividend Adjusted Initial Stock Price)}}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the performance goal has been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months of the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause, death or Disability (as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2017 and ending December 31, 2019, and the term "Peer Group" shall mean those companies included in Exhibit A as of January 1, 2017. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(e), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units,

if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2018, but prior to January 1, 2019; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2020. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the performance goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the performance goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty-two (62) and five (5) total years of employment or service with the Employer.

(c) If at any time prior to the earlier of January 1, 2018 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(d) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the performance goal. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5.Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2020 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the performance goal and service condition will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2017 LTPP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time)regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and

distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, such notices may be delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

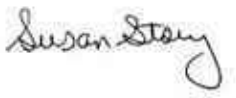
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. Avista Corporation
5. CMS Energy Corporation
6. Eversource Energy
7. Great Plains Energy, Inc.
8. NiSource, Inc.
9. Pinnacle West Capital Corporation
10. PNM Resources, Inc.
11. SCANA Corporation
12. UGI Corporation
13. Vectren Corporation
14. WGL Holdings, Inc.
15. Wisconsin Energy Corporation

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Section 6: EX-10.7 (EX-10.7 - 2017 OMNIBUS PLAN - 2017 PERFORMANCE STOCK UNIT GRANT FORM B-1)

Exhibit 10.7

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of [____], 2017 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant

the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2017 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on performance goals relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals (as defined below) and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3.Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months of the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause, death or Disability (as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2017 and ending December 31, 2019.

4.Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(e), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units,

if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2018, but prior to January 1, 2019; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2020. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 1, 2018 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2020 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date

cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2017 LTPP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend, equivalents will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted) and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is

subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value

be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be delivered by hand, sent by facsimile, e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means), or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

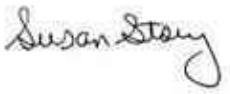
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOAL

To satisfy the provisions under 162m, a "plan within a plan" approach, using a threshold goal of positive net income, on a GAAP basis over the period 1/1/2017 to 12/31/2019, to fund the payout pool.

Once threshold performance has been achieved, the LTPP pool funds up to the 200% maximum allowed per participant under the "inside" plan, as outlined below. Negative discretion may be applied by the Committee based on the performance of the "inside" plan criteria

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle. The starting point for the calculation will be adjusted EPS of $2.84 for the year ended December 31, 2016. The ending point for the calculation will be EPS for the year ended December 31, 2019, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle.

As soon as administratively practicable following the end of the Performance Period, the Committee will certify the level of achievement of the Compounded EPS Growth.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded Growth	Target Award
12.0% or more	200%
10.0%	175%
7.8%	100%
6.0%	25%

<= 5.99%	0%

If actual achievement of the Performance Goal do not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2016 Adjusted	12/31/2019 Illustration
Adjusted diluted earnings per share from continuing operations	$ 2.84	$ 3.06
Compounded annual growth rate		**8.06%**

Earned Performance Units

	Achievement	Award	Weighting	Weighted Payout
Compounded Earnings Per Share Growth	8.06%	109.4%	100%	109.4%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,094 Performance Units (1,000 x 1.094), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

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Section 7: EX-10.8 (EX-10.8 - 2017 OMNIBUS PLAN - 2017 PERFORMANCE STOCK UNIT GRANT FORM B-2)

Exhibit 10.8

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of [____], 2017 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2017 Long Term Performance Plan ("2017 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2017 LTPP and to grant the Participant an Equity Award under the 2017 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2017 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on performance goals relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals (as defined below) and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3.Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and certify the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months of the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause, death or Disability (as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, the term "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2017 and ending December 31, 2019.

4.Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units,

if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2018, but prior to January 1, 2019; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 1, 2019, but prior to January 1, 2020; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 1, 2020. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty-two (62) and five (5) total years of employment or service with the Employer.

(c) If at any time prior to the earlier of January 1, 2018 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(d) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, the term "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 1, 2020 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2017 LTPP, and complete the deferral election form provided to the Participant by the Committee. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Committee for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of March 4, 2015 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies

that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

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15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, such notices may be delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the

tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

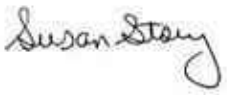
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Susan N. Story



Its: President and CEO

"PSU GRANT B – EPS"

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PERFORMANCE GOAL

To satisfy the provisions under 162m, a "plan within a plan" approach, using a threshold goal of positive net income, on a GAAP basis over the period 1/1/2017 to 12/31/2019, to fund the payout pool.

Once threshold performance has been achieved, the LTPP pool funds up to the 200% maximum allowed per participant under the "inside" plan, as outlined below. Negative discretion may be applied by the Committee based on the performance of the "inside" plan criteria.

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle. The starting point for the calculation will be adjusted EPS of $2.84 for the year ended December 31, 2016. The ending point for the calculation will be EPS for the year ended December 31, 2019, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle.

As soon as administratively practicable following the end of the Performance Period, the Committee will certify the level of achievement of the Compounded EPS Growth.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded Growth	Target Award
12.0% or more	200%
10.0%	175%
7.8%	100%
6.0%	25%

<= 5.99%	0%

If actual achievement of the Performance Goal do not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2016 Adjusted	12/31/2019 Illustration
Adjusted diluted earnings per share from continuing operations	$ 2.84	$ 3.06
Compounded annual growth rate		**8.06%**

Earned Performance Units

	Achievement	Award	Weighting	Weighted Payout
Compounded Earnings Per Share Growth	8.06%	109.4%	100%	109.4%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,094 Performance Units (1,000 x 1.094), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

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Section 8: EX-10.9 (EX-10.9 - 2017 OMNIBUS PLAN - 2017 DIRECTOR STOCK UNIT AGREEMENT)

Exhibit 10.9

AMERICAN WATER WORKS COMPANY, INC.

2017 OMNIBUS EQUITY COMPENSATION PLAN

STOCK UNIT GRANT

This STOCK UNIT GRANT, dated as of May 12, 2017 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Board of Directors of the Company (the "Board") has determined to grant each non-employee director of the Company on the date of the Company's 2017 Annual Meeting of Stockholders a stock unit grant that will be converted to shares of common stock of the Company, par value $0.01 per share, (the "Company Stock") at a later date;

WHEREAS, the Participant is a non-employee director on the Board; and

WHEREAS, the Board has determined that the stock unit grant granted to the Participant shall be issued under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") and the terms and conditions of such stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Stock Units"). Each Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable distribution date, as described in Paragraph 4 below.

2. Stock Unit Account. The Company shall establish and maintain a Stock Unit account as a bookkeeping account on its records (the "Stock Unit Account") for the Participant and shall record in such Stock Unit Account the number of Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Stock Unit Account established for the Participant.

3. Vesting. The Participant shall be fully vested in the Stock Units credited to the Participant's Stock Unit Account pursuant to this Grant on the Date of Grant.

4. Distribution. The Stock Units shall be converted to shares of Company Stock and distributed by the Company within thirty (30) days following the earlier of (i) August 14, 2018 (the "Specified Date") (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), (ii) the Participant's separation from service (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code")) with the Company (the "Separation from Service Date"), or (iii) the date of a Change of Control (as defined below) (the "Change of

Control Date"). At the time of distribution, all Stock Units shall be converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of this Grant, the term "Change of Control" shall have the same meaning as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Code and its corresponding regulations.

5. Deferrals. The Participant may make an irrevocable election to defer the Specified Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Stock Units, plus dividend equivalents earned on such Stock Units as described in Paragraph 6 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Specified Date cannot be earlier than five (5) years from the original Specified Date under Paragraph 4 (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Specified Date (or twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Specified Date, the Participant must elect to defer 100% of the Stock Units, including corresponding dividend equivalents, granted to the Participant under this Grant and complete the deferral election form provided to the Participant by the Board, in the form attached hereto as Exhibit A or as may subsequently modified in the discretion of the Board. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided by the Board for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Separation from Service Date or Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's Stock Units, plus corresponding dividend equivalents, will be made as a result of the occurrence of the Separation from Service Date or Change of Control Date, whichever is earlier. If a Specified Date is delayed one or more times pursuant to this Paragraph 5, the new Specified Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the earlier of the Specified Date (or the Deferred Date, if elected), Separation from Service Date or Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Stock Units credited to the Participant's Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Stock Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Stock Units, and, in

the event of a Change of Control, the Board may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Participant also hereby agrees to be bound by the terms and conditions of the Plan and this Grant. The Participant further agrees to be bound by the determinations and decisions of the Board with respect to this Grant and the Plan and the Participant's rights to benefits under this Grant and the Plan, and agrees that all such determinations and decisions of the Board shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) The obligation of the Company to deliver shares of Company Stock upon the distribution of the Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(b) As a condition to receive any shares of Company Stock upon conversion of the Stock Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Personal Securities and Insider Trading Policy; and

(ii) that the shares of Company Stock obtained by the Participant upon the distribution of the Stock Units shall not be transferred or disposed of by any means until the Participant owns enough shares of Company Stock, or shares underlying stock units convertible into shares of Company Stock, or time-based restricted Company Stock, to meet or exceed five (5) times the Participant's annual cash retainer, which ownership

requirement must be satisfied by the fifth (5th) anniversary of the Participant's commencement of service as a director on the Board.

10. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Board in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Board shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Participant's acceptance of this Grant is the Participant's agreement to be bound by the interpretations and decisions of the Board with respect to this Grant and the Plan.

11. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Stock Units.

12. No Rights to Continued Service. This Grant shall not confer upon the Participant any right to be retained in the service of the Employer (as defined in the Plan) and shall not interfere in any way with the right to terminate the Participant's service at any time. The right to terminate at will the Participant's service at any time for any reason is specifically reserved.

13. Assignment and Transfers. No Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Stock Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Stock Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

14. Withholding. To the extent required by applicable law, the Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the Grant, vesting or distribution of the Stock Units and dividend equivalents.

15. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

16. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

17. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the records of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by facsimile, e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means), or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

18. Section 409A of the Code.

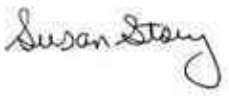
(a) This Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution cannot be provided or made at the time specified herein or as elected by the Participant, then such distribution shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed. Except according to a valid election made pursuant to Paragraph 5 above, in no event may the Participant designate the calendar year of distribution.

(b) Notwithstanding any provision to the contrary in this Grant, if any of the distributions under this Grant are payable to the Participant upon separation from service (within the meaning of section 409A of the Code) from the Employer, then if at the time of the Participant's separation from service the Participant is a "specified employee" (as such term is defined in section 409A(2)(B)(i) of the Code and its corresponding regulations) as determined by the Company (or any successor thereto) in its sole discretion in accordance with its specified employee determination policy, then all distributions to the Participant pursuant to this Grant shall be postponed for a period of six (6) months following the Participant's separation from service from the Employer. The postponed amounts shall be distributed to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's separation from service from the Employer. If the Participant dies during such six (6)-month period and prior to the distribution of the postponed amounts hereunder, the amounts delayed on account of section 409A of the Code shall be distributed to the personal representative of the Participant's estate within sixty (60) days after the date of the Participant's death, and any amounts not delayed shall be distributed to the personal representative of the Participant's estate in accordance with the terms of this Grant.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: **Susan Story**



Its: President and CEO

EXHIBIT A

SUBSEQUENT DEFERRAL ELECTION FORM

PART A. TIME OF DISTRIBUTION

I, _____, (the "Participant") hereby irrevocably elect to have all of the Stock Units, plus corresponding dividend equivalents, (the "Deferred Units") granted to me pursuant to the Stock Unit Grant, dated as of May 12, 2017, (the "Grant") under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") that would have been distributed by American Water Works Company, Inc. to me on the Specified Date (as defined in the Grant), instead be distributed to me on the deferred date designated below (the "Deferred Date"), which date must be at least five (5) years later than the Specified Date, and this election is at least twelve (12) months prior to the Specified Date (to make this deferral election you must defer all of the Stock Units, plus corresponding dividend equivalents, granted to you pursuant the Grant, meaning there is no partial deferral):

Number of Stock Units, and Dividend Equivalents, to be Further Deferred (All Must Be Deferred)	**Original Specified Date** (Election Must Be Made at Least 12 Months Prior to the Specified Date)	**Deferred Date** (Must be a date that is at least 5 years later than the Original Specified Date)
100%	August 14, 2018	

PART B. ACKNOWLEDGMENT

I understand and expressly agree that (i) the Deferred Date for the Deferred Units shall be the date I specified in Part A above (which is a date that is at least five (5) years later than the original Specified Date), and (ii) I will not be entitled to receive distribution of the Deferred Units on an earlier date, except in the event that the Separation from Service Date (as defined in the Grant) or the Change of Control Date (as defined in the Grant) occurs prior to the Deferred Date. I also understand and expressly agree that this deferral election is irrevocable, is being made at least twelve (12) months prior to the original Specified Date, and shall not take effect until twelve (12) months after the date on which I make this election. I further understand and agree that the terms and conditions of the Grant and the Plan are hereby incorporated into this form. Lastly, I understand and agree that this deferral election applies to 100% of the Stock Units, and corresponding dividend equivalents, granted to me pursuant to the Grant.

PARTICIPANT SIGNATURE

Participant: _____ Date: _____

Receipt Acknowledged:

By: _____

Title: _____ Date: _____

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Section 9: EX-99.1 (EX-99.1 - DESCRIPTION OF 2017 OMNIBUS PLAN - FROM 2017 PROXY STATEMENT)

Exhibit 99.1

Summary of Material Terms of the 2017 Omnibus Plan

General

The 2017 Omnibus Plan provides that grants may be in any of the following forms:

- incentive stock options
- nonqualified stock options
- stock appreciation rights, or SARs
- stock units
- stock awards
- other stock-based awards
- dividend equivalents, which may be granted only on stock units or other stock-based awards

Subject to adjustment in certain circumstances, the total number of shares of common stock that may be issued or transferred under the 2017 Omnibus Plan is 7,350,000 shares, minus the number of shares of our common stock subject to grants of awards made under the 2007 Plan after December 30, 2016. As of the record date, 169,377 shares of common stock are subject to grants of awards made under the 2007 Plan after December 30, 2016. After the record date, but prior to the annual meeting, any shares or awards granted under the 2007 Plan will reduce the number of shares authorized for issuance under the 2017 Omnibus Plan.

We may issue shares of our common stock under the 2017 Omnibus Plan from authorized but unissued shares of our common stock or reacquired shares of our common stock, including shares of our common stock that we purchased on the open market or otherwise acquire.

The maximum aggregate number of shares of common stock that may be granted pursuant to all grants under the 2017 Omnibus Plan during any calendar year to any one employee is 300,000 shares and to any non-employee director is 150,000 shares, each subject to adjustment as described below. With respect to grants of stock units, stock awards, dividend equivalents and other stock-based awards intended to be qualified performance-based compensation under Section 162(m) of the Code, the maximum aggregate number of shares of common stock that may be made during any calendar year to any participant who is a “covered employee” within the meaning of Section 162(m) of the Code is 300,000 shares, subject to adjustment as described below. These individual share limits apply regardless of whether grants are to be paid in shares or cash. No individual may accrue dividend equivalents during any calendar year in excess of $1,500,000.

If and to the extent options or SARs granted under the 2017 Omnibus Plan terminate, expire or are cancelled, forfeited, exchanged or surrendered without being exercised, and if and to the extent that any stock awards, stock units or other stock-based awards are forfeited or terminated, or otherwise not paid in full, the shares reserved for such grants will again become available for purposes of the 2017 Omnibus Plan. However, shares of common stock surrendered in payment of the exercise price of an option and shares withheld or surrendered for payment of taxes, will not be available for reissuance under the 2017 Omnibus Plan. Additionally, if SARs are granted, the full number of shares subject to the SAR are considered issued under the 2017 Omnibus Plan, without regard to the number of shares of common stock that are issued upon exercise of the SARs and without regard to any cash settlement of the SARs. To the extent that any grants of stock units under the 2017 Omnibus Plan are designated to be paid in cash, and not in shares of common stock, such grants do not count against the share limits under the 2017 Omnibus Plan.

Administration

The 2017 Omnibus Plan will be administered and interpreted by our Compensation Committee. However, our Board will approve and administer all grants to non-employee directors. In accordance with the terms of the 2017 Omnibus Plan, the Compensation Committee has delegated its authority thereunder to our CEO to issue awards, subject to guidelines to be prescribed by the Compensation Committee. Our CEO will only be permitted to make grants to persons who are not subject to Section 16 of the Exchange Act and who are not “covered employees” within the meaning of Section 162(m) of the Code.

The Compensation Committee has the authority to:

- determine the individuals to whom grants will be made under the 2017 Omnibus Plan
- determine the type, size and terms and conditions of the grants

- determine the time when grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability or vesting and the acceleration of exercisability or vesting
- amend the terms and conditions of any previously issued grant, subject to the limitations described below, and
- deal with any other matters arising under the 2017 Omnibus Plan.

As of the record date, the Compensation Committee consists of Mr. Evanson and Mses. Hagen and Johnson. The Board has determined that each member of the Compensation Committee is an independent director as determined under the NYSE's listing standards, a "non-employee director" for purposes of Section 16 of the Exchange Act and an "outside director" for purposes of Section 162(m) of the Code.

Eligibility for Participation

All of our employees (including officers) and those of our subsidiaries will be eligible for grants under the 2017 Omnibus Plan, subject to certain conditions set forth in the 2017 Omnibus Plan. Our non-employee directors will also eligible to receive grants under the 2017 Omnibus Plan. As of the record date, approximately 154 employees and eight non-employee directors would be participants in the 2017 Omnibus Plan, if it were then in effect, and based upon the participation criteria currently utilized under the 2007 Plan. There were 162 current employees and non-employee directors participating in the 2007 Plan as of the record date.

Types of Awards

Stock Options

The Compensation Committee may grant options intended to qualify as "incentive stock options" within the meaning of Section 422 of the Code, or ISOs, or "nonqualified stock options," or NQSOs, that are not intended to so qualify, or any combination of ISOs and NQSOs. Any participant may receive a grant of NQSOs. Only our employees and those of our subsidiaries may receive a grant of ISOs.

The Compensation Committee fixes the exercise price per share for options on the date of grant. The exercise price of any NQSO or ISO granted under the 2017 Omnibus Plan will be equal to, or greater than, the fair market value of the underlying shares of common stock on the date of grant. However, if an ISO is granted to an employee who holds more than 10 percent of the total combined voting power of all classes of our outstanding stock, the exercise price per share of an ISO granted to such person must be at least 110 percent of the fair market value of a share of common stock on the date of grant. The current measure of fair market value on a particular date is the last reported sale price of common stock on the NYSE on the relevant date (or, if there were no trades on such date, the latest preceding date upon which a sale was reported).

The Compensation Committee determines the term of each option, which will not exceed ten years from the date of grant; however, if an ISO is granted to an employee who holds more than 10 percent of the combined voting power of all classes of our outstanding stock, the term of the ISO may not exceed five years from the date of grant.

The period for when any option may first become vested and exercisable will be determined by the Compensation Committee at the time of grant. The Compensation Committee may grant options that are subject to achievement of performance goals or other conditions. The Compensation Committee may accelerate the vesting and exercisability of any or all outstanding options at any time for any reason. To the extent that the aggregate fair market value of shares of common stock, determined on the date of grant, with respect to which ISOs become exercisable for the first time by an employee during any calendar year exceeds $100,000, such ISOs will be treated as NQSOs. The aggregate number of shares of common stock that may be issued under the 2017 Omnibus Plan as ISOs is 5,000,000 shares, subject to certain adjustments, and all shares issued under the 2017 Omnibus Plan as ISOs will count against the share reserve, as described above.

The 2017 Omnibus Plan provides that, unless otherwise provided in a grant agreement, an option may only be exercised while the participant is employed as an employee or providing service as a non-employee director. The Compensation Committee will specify in the grant agreement the circumstances, if any, and time periods, if any, a participant may exercise an option after termination of employment or service.

A participant may exercise an option by delivering notice of exercise to us. The participant will pay the exercise price and

any withholding taxes for the option:

- in cash or by check
- if permitted by the Compensation Committee, by delivering shares of common stock already owned by the participant, or by attestation to ownership of shares, in either case having a fair market value on the date of exercise equal to the exercise price
- by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board
- if permitted by the grant agreement, by net share settlement of the option based on the fair market value on the date of exercise
- any combination of the foregoing or
- by such other method as the Compensation Committee may approve, to the extent permitted by applicable law.

SARs

The Compensation Committee may grant to any participant SARs in connection with, or independently of, any option granted under the 2017 Omnibus Plan. Upon exercise of a SAR, the participant will receive an amount equal to the excess of the fair market value of common stock on the date of exercise over the base amount for the SAR.

The Compensation Committee will determine the terms and conditions of the SAR. The base amount of each SAR will not be less than the fair market value of common stock on the date of grant of the SAR and the term of a SAR will not exceed ten years from the date of grant. The Compensation Committee may grant SARs that are subject to the achievement of performance goals or other conditions. The Compensation Committee may accelerate the exercisability of SARs at any time for any reason. Upon exercise of a SAR, payment will be made in cash, shares of common stock or a combination of the two, as the Compensation Committee may determine.

Stock Units

The Compensation Committee may grant to any participant stock units, which provide the participant with the right to receive shares of common stock or an amount based on the value of a share of common stock at a future date.

The Compensation Committee determines the number of stock units that will be granted, whether stock units will become payable if specified performance goals or other conditions are met, and the other terms and conditions applicable to the stock units. Stock units may be paid at the end of a specified vesting or performance period or deferred to a date authorized by the Compensation Committee. Payment with respect to a stock unit will be made in cash, in shares of common stock, or in a combination of cash and shares of common stock, as determined by the Compensation Committee. The grant agreement will specify the maximum number of shares of common stock that may be issued under a stock unit. The Compensation Committee may accelerate the vesting of any or all outstanding stock units at any time for any reason.

Stock Awards

The Compensation Committee may grant shares of common stock under a stock award for cash consideration or no cash consideration, and subject to such restrictions, if any, as determined by the Compensation Committee. If restrictions are imposed on stock awards, the Compensation Committee will determine whether they will lapse over a period of time or according to such other criteria as the Compensation Committee deems appropriate, including restrictions based upon the achievement of specific performance goals. The Compensation Committee determines the number of shares of common stock subject to the grant of stock awards and the other terms and conditions of the grant. The Compensation Committee may accelerate the vesting of any or all outstanding stock awards at any time for any reason.

The Compensation Committee will determine to what extent, and under what conditions, participants will have the right to vote shares of common stock subject to a stock award and receive dividends or other distributions paid on such shares during the restriction period. Dividends may be deferred, but dividends payable to a participant must be withheld while a stock award is subject to restrictions, and such dividends may be payable only upon the lapse of the restrictions of the stock award. With respect to a stock award that vests based on the achievement of performance goals, no dividends may be payable unless, and only to the extent that, the performance goals are achieved at least at the minimum threshold for

performance. Dividends that are not paid currently will be credited to a bookkeeping account on our records. Accumulated dividends may accrue interest, as determined by the Compensation Committee, and will be paid in cash, shares of common stock or in such other form as dividends are paid on common stock, as determined by the Compensation Committee.

Other Stock-Based Awards

The Compensation Committee may make other grants (other than options, SARs, stock units, and stock awards) that are based on or measured by common stock to anyone eligible to participate in the 2017 Omnibus Plan. Other stock-based awards may be granted subject to the achievement of performance goals or other conditions and may be payable in shares of common stock or cash, or a combination of the two, as determined by the Compensation Committee.

Dividend Equivalents

The Compensation Committee may grant dividend equivalents in connection with stock units or other stock-based awards, under such terms and conditions as the Compensation Committee deems appropriate. Dividend equivalents may be deferred, but no dividend equivalent may be payable to a participant unless, and only to the extent that, a grant of stock units vests, and with respect to a grant of stock units that vests based on the achievement of performance goals, the performance goals are achieved at least at the minimum threshold for performance. Dividend equivalents may be accrued as a cash obligation or may be converted to additional stock units, and deferred dividend equivalents may accrue interest, all as determined by the Compensation Committee. The Compensation Committee may determine that dividend equivalents are payable based on the achievement of specific performance goals. Dividend equivalents may be paid in cash or in shares of common stock or in a combination of the two, as determined by the Compensation Committee.

Qualified Performance-Based Compensation

Under the 2017 Omnibus Plan, the Compensation Committee may structure stock units, stock awards, dividend equivalents or other stock-based awards as “qualified performance-based compensation,” thereby preserving the deductibility of the compensation expense relating to these awards under Section 162(m) of the Code.

The 2017 Omnibus Plan provides that when stock units, stock awards, dividend equivalents or other stock-based awards intended to constitute “qualified performance-based compensation” are granted, the Compensation Committee will establish in writing:

- the objective performance goals that must be met
- the period during which the performance will be measured
- the maximum amounts that may be paid if the performance goals are met and
- any other conditions that the Compensation Committee deems appropriate and consistent with the requirements of Section 162(m) of the Code.

The performance goals may be based on one or more business criteria that relate to, individually or in any combination:

- a specified goal
- our historical performance, or that of our products, services or business lines or segments
- one or more business units, or the performance of the Company and its subsidiaries as a whole
- the performance of any other corporation or entity or group of corporations or entities or a product, service, or business line or segment, unit, division, or subsidiary thereof or
- an individual or groups of individuals.

The performance goals need not be uniform among participants. To grant “qualified performance-based compensation,” the Compensation Committee will use objectively determinable performance goals based on one or more of the following criteria:

2017 Omnibus Plan Performance Goals

• stock price	•net income or earnings per share	•price-earnings multiples
• return on capital employed	•book value of any asset or security	•revenue
•net capital employed	•productivity	•gross income, profitability or gross margin
•EBITDA (earnings before interest, taxes, depreciation and amortization)	•number of days sales outstanding of accounts receivable	•return on equity, cash flow, investment or assets
•internal rate of return	•cash flow return on investment	•improvements in capital structure
•stockholder return, including absolute or relative total stockholder return, expressed either on a dollar or percentage basis	•retention of customers, expressed on a dollar or percentage basis	•market value added (defined to mean the difference between the market value of debt and equity, and economic book value)
•budget achievement	•cash flow per share	•risk management
•economic value added (defined to mean net operating profit minus the cost of capital)	•growth in assets, unit volume, sales, cash flow or market share	•gross, operating or net earnings before or after income taxes
•relative performance (as measured by one or more of these performance goals) to a comparison group of companies designated by the Compensation Committee	•level of expenses, including without limitation capital expenditures or operation and maintenance expenses (expressed on a dollar or percentage basis)	•metrics regarding execution on business or operating initiatives, such as through the development or implementation of new technologies or other customer benefits
•combined ratio	•payback period on investment	•net present value of investment
•safety (including, for example, criteria relating to numbers or ratios of reported injuries, preventable accidents and vehicular accidents)	•increase in our or a subsidiary's customer satisfaction or responsiveness ratings (based on the results of surveys conducted by an independent third party) and reputation within one or more service territories	•strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures
•compliance with financial and regulatory controls	•bad debt collections, expenses or losses	•compliance with environmental laws, rules and regulations

To the extent permitted under Section 162(m) of the Code, in setting performance goals, the Compensation Committee may at such time also provide that the achievement of such performance goals will be determined without regard to either the negative or positive effect (or both) of certain events, including for one or more of the following items:

- asset write-downs
- litigation or claim judgments, or settlements thereof
- changes in accounting principles
- changes in tax law or other laws affecting reported results
- changes in commodity or supply prices
- severance, contract termination and other costs related to exiting, modifying or reducing any business activities
- costs of, and gains and losses from, the acquisition, disposition or abandonment of businesses or assets
- gains and losses from the early extinguishment of debt
- gains and losses in connection with the termination of or withdrawal from a pension plan
- stock compensation costs and other non-cash expenses and
- any other specified non-operating items as determined by the Compensation Committee in setting performance goals

The Compensation Committee will establish such performance goals in writing either before the beginning of the performance period or during a period ending no later than the earlier of 90 days after the beginning of the performance period or the date on which 25 percent of the performance period has been completed, or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code.

The performance goals for such awards will satisfy the requirements for “qualified performance-based compensation” under the 2017 Omnibus Plan, including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. As to awards considered by the Compensation Committee to be “qualified performance-based compensation,” the Compensation Committee will not have the discretion to increase the amount of compensation

that is payable upon achievement of the designated performance goals, but the Compensation Committee may reduce the amount of compensation that is payable upon achievement of the designated performance goals.

The Compensation Committee will certify the performance results specified in the grant agreement for such awards after the performance period ends. The Compensation Committee will determine the amount, if any, to be paid pursuant to each grant based on the achievement of the performance goals and the satisfaction of all other terms of the grant agreement.

The Compensation Committee may provide in the grant agreement that awards will be payable, in whole or in part, in the event of the participant's death or disability, a change of control or under other circumstances consistent with applicable regulations and rulings under Section 162(m) of the Code.

Deferrals

The Compensation Committee may permit or require a participant to defer receipt of the payment of cash or the delivery of shares that would otherwise be due to the participant in connection with any award. The Compensation Committee shall establish rules and procedures for any such deferrals, consistent with applicable requirements of Section 409A of the Code.

Adjustment Provisions

The 2017 Omnibus Plan provides for certain adjustments in the event of any change in common stock outstanding by reason of a:

- stock dividend
- spinoff
- recapitalization
- stock split
- combination
- exchange of shares
- merger
- reorganization
- consolidation
- reclassification
- change in par value
- any other extraordinary or unusual event affecting the outstanding common stock without our receipt of consideration
- substantial reduction in the value of outstanding shares of our common stock as a result of a spinoff or our payment of an extraordinary dividend or distribution.

In any of these events, the Compensation Committee will equitably adjust the following, in a manner deemed appropriate, to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the 2017 Omnibus Plan and any outstanding grants:

- the maximum number of shares of common stock available for issuance under the 2017 Omnibus Plan
- the maximum number of shares of common stock for which any participant or covered employee within the meaning of Section 162 (m) of the Code may receive grants in any calendar year
- the kind and number of shares covered by outstanding grants
- the kind and number of shares issued and to be issued under the 2017 Omnibus Plan and
- the price per share or the applicable market value of such grants.

Any fractional shares resulting from such adjustment will be eliminated.

Change of Control

Upon a change of control where the Company is not the surviving corporation (or it survives only as a subsidiary of another corporation or entity), all outstanding options and SARs that are not exercised will be assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and other outstanding grants will be converted to similar grants of the surviving corporation (or a parent or subsidiary of the

surviving corporation). However, if, in connection with a change of control, any outstanding options and SARs are not assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and any other outstanding grants are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then upon such change of control:

- all such outstanding options and SARs that are not assumed or replaced will accelerate and become fully exercisable,
- the restrictions and conditions on all such outstanding stock awards that are not converted to similar grants will fully lapse and
- all outstanding stock units, other stock-based awards and dividend equivalents that are not converted to similar grants will be fully vested.

If a grant is assumed in connection with a change of control, and if, within the 12 month period following the occurrence of such change of control, the participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) on account of:

- a termination of such participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of cause (as defined in the 2017 Omnibus Plan), death or disability (as defined in the 2017 Omnibus Plan), or
- a termination of employment or service by the participant for good reason (as defined in the 2017 Omnibus Plan),

then as of the date of such termination of employment or service:

- a grant that is an option or SAR will automatically accelerate and become fully exercisable
- a grant that is a stock award will have all restrictions and conditions immediately lapse and
- a grant that is a stock unit, other stock-based award or dividend equivalent will be fully vested.

Notwithstanding the foregoing, in the event of a change of control, the Compensation Committee may take any of the following actions with respect to any or all outstanding grants:

- determine that outstanding options and SARs accelerate and become fully exercisable, in whole or part
- determine that the restrictions and conditions on outstanding stock awards lapse, in whole or part
- determine that outstanding stock units, other stock-based awards and dividend equivalents fully vest, in whole or part
- require that participants surrender their outstanding options and SARs in exchange for a payment by us, in cash or common stock as determined by the Compensation Committee, in an amount equal to the amount by which the then fair market value of the shares of common stock subject to the participant's unexercised options and SARs exceeds the exercise price of the options or the base amount of the SARs, as applicable
- after giving participants an opportunity to exercise their outstanding options and SARs, terminate any or all unexercised options and SARs at such time as the Compensation Committee deems appropriate or
- determine that participants receive a payment in settlement of outstanding stock awards, stock units, dividend equivalents or other stock-based awards, if permitted under Section 409A of the Code.

Such surrender, termination or payment will take place as of the date of the change of control or such other date as the Compensation Committee may specify. Without limiting the foregoing, if the per share fair market value of common stock equals or is less than the per share exercise price or base amount, as applicable, we are not required to make any payment to the participant upon surrender of the option or SAR.

For purposes of the 2017 Omnibus Plan, a change of control will generally be deemed to have occurred if one of the following events occurs:

- Any person becomes:
  - during the 12-month period ending on the date of any acquisition of securities, a beneficial owner, directly or indirectly, of our securities representing more than 35 percent of the voting power of our then outstanding securities, or

- a beneficial owner, directly or indirectly, of more than 50 percent of the voting power of our then outstanding securities

- The consummation of:
  - a merger or consolidation of us with another corporation where our stockholders, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares entitling suchstockholders to more than 50 percent of all votes to which all stockholders of the surviving corporation would be entitled in the election of directors, or
  - a sale or other disposition of all or substantially all of our assets.
- During any period of 12 consecutive months commencing on or after the effective date of the 2017 Omnibus Plan, directors are elected such that a majority of the members of our Board are individuals who have not been members of the Board at the beginning of such 12-month period, except
  - in the case of a director's death or
  - the election or nomination for election of each new director who was not a director at the beginning of such 12-month period where such election was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period.

The Compensation Committee may provide for a different definition of a change of control in a grant agreement with respect to the timing of payment of such grant if such grant is subject to the requirements of Section 409A of the Code and the grant will become payable on, or in connection with, a change of control.

Clawback, Insider Trading and Other Policies and Practices

Participants and grants awarded under the 2017 Omnibus Plan are subject to all applicable clawback or recoupment policies or practices of the Company, as well as the Company's insider trading and stock ownership and retention requirements, policies and guidelines, and other requirements, policies, practices or guidelines implemented by the Board or the Compensation Committee, as may be in effect from time to time. See "Compensation Discussion and Analysis—Recovery of Incentive Compensation."

Transferability of Grants

Generally, only the participant may exercise rights under a grant during the participant's lifetime. Participants may not alienate or assign any benefit provided under the 2017 Omnibus Plan. Furthermore, grants may not be subject to attachment or other legal process, except by will or the laws of descent and distribution. The Compensation Committee may provide, in a grant agreement, that a participant may transfer nonqualified stock options to his or her immediate family members, or one or more trusts or other entities for the benefit of or owned by immediate family members, consistent with applicable securities laws.

No Repricing of Options or SARs

The 2017 Omnibus Plan includes a restriction providing that, except in connection with a permitted adjustment, neither the terms of outstanding grants nor the 2017 Omnibus Plan may be amended to permit, and no grant or an amendment to any grant agreement may have the effect of causing, options or SARs to be repriced, replaced or regranted through cancellation, or by decreasing the exercise price of an outstanding option or SAR, without in each case obtaining stockholder approval.

Amendment and Termination

The Board may amend or terminate the 2017 Omnibus Plan at any time, subject to stockholder approval if such approval is required in order to comply with the Code, applicable laws or applicable stock exchange requirements. If the 2017 Omnibus Plan is approved by stockholders, it will terminate on May 11, 2027, unless terminated earlier by the Board or extended by the Board with the approval of stockholders.

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Section 10: EX-99.2 (EX-99.2 - DESCRIPTION OF 2017 ESPP - FROM 2017 PROXY STATEMENT)

Exhibit 99.2

Summary of Material Terms of the 2017 ESPP

Administration

The Board has designated the Compensation Committee as the plan administrator for the 2017 ESPP. As the plan administrator, the Compensation Committee has discretionary authority and power to administer the 2017 ESPP and to make, adopt, construe and enforce rules and regulations not inconsistent with the provisions of the 2017 ESPP. The Compensation Committee's interpretations and decisions with respect to the 2017 ESPP will be final and conclusive.

Shares Available for Issuance under the 2017 ESPP

We have reserved 2 million shares of our common stock for issuance under the 2017 ESPP, subject to adjustments in certain circumstances described below.

Adjustments

The 2017 ESPP provides for certain adjustments in connection with any increase or decrease in the number of outstanding shares of common stock as a result of a subdivision or consolidation of the common stock or other capital adjustment, the payment of a stock dividend in shares of common stock, or other increase or decrease in our shares of common stock, if effected without our receipt of consideration. In any of these events, the Compensation Committee will make equitable adjustments to the following, in order to prevent the dilution or enlargement of benefits under the 2017 ESPP:

- the aggregate number of shares of common stock reserved for issuance under the 2017 ESPP
- the maximum number of shares of common stock that may be purchased by any participant on a purchase date and
- the calculation of the purchase price per share.

Eligibility

An employee will be eligible to participate in the 2017 ESPP if, as of the start date of the purchase period, the employee is employed by us or a subsidiary which the Compensation Committee has designated as a participating entity in the 2017 ESPP. For purposes of the 2017 ESPP, an eligible employee includes all of our and our participating subsidiaries' employees, including part-time employees, but does not include:

- an employee who is classified by the Compensation Committee as a temporary employee or leased employee
- unless otherwise permitted by the Compensation Committee, an employee employed by a non-U.S. subsidiary
- an employee who the Board determines is an officer as defined in the SEC's rules promulgated under Section 16 of the Exchange Act or
- an employee who owns stock possessing 5 percent or more of the total combined voting power or value of all classes of our stock.

None of our non-employee directors are eligible to participate in the 2017 ESPP. As of March 16, 2017, there would be approximately 6,457 employees eligible to participate in the 2017 ESPP.

Enrollment Periods

Under the 2017 ESPP, each eligible employee may elect to participate in the 2017 ESPP by completing a purchase agreement and submitting the purchase agreement to the Compensation Committee or its delegate during an enrollment period. Subject to stockholder approval of the 2017 ESPP, it is presently

intended that the first enrollment period under the 2017 ESPP would begin on August 5, 2017 and end on August 25, 2017.

If the 2017 ESPP is approved by stockholders, it is presently intended that the last enrollment period under the current ESPP would begin on May 5, 2017 and end on May 25, 2017. For the 2017 ESPP, the Compensation Committee intends to retain the timing of enrollment periods in effect under the current ESPP.

Purchase Periods

Under the 2017 ESPP, each eligible employee who elects to participate in the 2017 ESPP is granted an option to purchase shares of common stock during a purchase period. Each purchase period will generally be a period of three months, unless the Compensation Committee determines to provide for a different purchase period. The purchase right will continue in effect during the purchase period and will be exercised on the last trading day of the purchase period, which is the purchase date. On each purchase date, the participant will automatically be deemed to have exercised the participant's purchase right to purchase shares of stock with his or her accumulated payroll deductions for the purchase period, unless, to the extent permitted by applicable law, the participant notifies the Compensation Committee in advance of his or her desire to withdraw his or her accumulated payroll deductions and/or cease payroll deductions.

If our stockholders approve the 2017 ESPP, it is presently intended that the first purchase period would begin on September 1, 2017, and end on November 30, 2017. Unless the Compensation Committee determines otherwise prior to the beginning of the purchase period, the 2017 ESPP provides that each new purchase period would begin on the first day of the calendar quarter next following the preceding purchase date and continue until the last trading day of the calendar quarter in which such purchase period began. For this purpose, a trading day is the date on which the NYSE is open for trading. Notwithstanding the terms of the 2017 ESPP, the Compensation Committee presently intends to retain the purchase periods currently in effect under the current ESPP.

Purchase Transactions

Unless the Compensation Committee determines otherwise prior to the beginning of the purchase period, the purchase price for each share of common stock purchased under the 2017 ESPP will be the lower of:

- 90 percent of closing price of a share of common stock on the first day of the day of the purchase period or
- 90 percent of the closing price of a share of common stock on the purchase date.

The number of shares that will be purchased for each participant participating in the 2017 ESPP on a purchase date will depend on the purchase price of the shares, the total amount of payroll deductions during the purchase period and the number of shares remaining available for issuance under the 2017 ESPP. For example, if the purchase price is $10 per share and participant has $500 of accumulated payroll deductions on the purchase date, the participant will purchase 50 shares.

No fees, commissions, or other expenses will be charged to a participant when he or she purchases stock under the 2017 ESPP; however, the participant will be responsible for any brokerage commissions that result from the sale of any stock purchased under the 2017 ESPP.

Payroll Deductions

Participants will indicate pursuant to a purchase agreement, the portion of compensation (in whole percentages from one percent to 10 percent) to have deducted from pay, on an after-tax basis, for the purchase of stock under the 2017 ESPP. In addition, if permitted by the Compensation Committee prior to the beginning of the purchase period, participants may be able to deposit funds, in addition to payroll deductions, with us, provided that the aggregate amount (including deposits and payroll deductions) that a participant may contribute to the 2017 ESPP during a purchase period may not exceed the lesser of 10

percent of the participant's compensation or $25,000 per year. To the extent permitted by applicable law and subject to limitations determined by the Compensation Committee, a participant may stop payroll deductions during a purchase period. If payroll deductions are stopped during a purchase period, the participant may not subsequently resume payroll deductions during such purchase period.

For purposes of the 2017 ESPP, "compensation" means a participant's base wages, but excludes overtime pay, commissions, bonuses, premium pay, shift differential pay, any compensation reductions made in connection with plans described in Sections 401 (k), 125 or 132(f)(4) of the Code, and any other extraordinary remuneration, as determined by the Compensation Committee in its discretion. Contributions to the 2017 ESPP are treated as our general assets and are not held in trust. No interest is credited to the amounts participants contribute to the 2017 ESPP.

Maximum Number of Purchasable Shares

Whole shares and fractional shares may be purchased under the 2017 ESPP. Unless the Compensation Committee determines otherwise prior to the beginning of the purchase period, an eligible employee may not purchase more than 5,000 shares of our common stock on any purchase date, subject to adjustment as described above. In addition, unless the Compensation Committee determines otherwise, in no event may a participant contribute more than $25,000 in any year to purchase stock under the 2017 ESPP.

Excess Payroll Deductions after Purchase Date

If a participant's payroll deductions are not applied to purchase stock on a purchase date, such excess amounts will be returned to the participant, as soon as administratively practicable after the purchase date.

Cessation of Participation

To the extent legally permissible, a participant may voluntarily cease his or her participation in the 2017 ESPP and stop payroll deductions at any time by filing a notice of cessation of participation on such form and at such time in advance of the purchase date as required by the Compensation Committee. If a participant ceases contributions during a purchase period, such participant may not make any further contributions during such purchase period. The participant may also request distributions of any funds held for the participant so long as such request is made on such form and at such time in advance of the purchase date as required by the Compensation Committee. Any funds remaining in the participant's account on the purchase date will be used to purchase stock.

If during a purchase period a participant ceases to be an eligible employee, his or her participation in the 2017 ESPP will automatically terminate and no further purchases of common stock will be made for the participant. Any funds held for such participant will be distributed to the participant. A participant will cease to be an eligible employee during a purchase period if he or she no longer meets the requirements of an eligible employee under the 2017 ESPP or if such participant terminates employment, dies or is determined to be disabled prior to the applicable purchase date.

Transferability

Neither payroll deductions credited to a participant nor any rights with regard to the exercise of a purchase right under the 2017 ESPP may be assigned or transferred. If a participant dies, unless a personal representative of the deceased participant directs otherwise, any previous payroll deductions during the purchase period in which the participant dies will be used to purchase stock on the purchase date for such purchase period. After the purchase date, the deceased participant's stock and residual amounts will be delivered to the participant's personal representative.

Holding Period

Participants are required to hold stock purchased under the 2017 ESPP for six months following each

purchase date, except such holding period ceases to apply in the case of death of the participant.

Change of Control

Subject to any required action by our stockholders, if we are the surviving corporation in a merger or consolidation, any offering under the 2017 ESPP will continue to pertain to and apply to our shares of common stock. However, if we dissolve or liquidate, or merge or consolidate and are not the surviving corporation, the 2017 ESPP and any offering under the 2017 ESPP will terminate as of the effective date of the dissolution, liquidation, merger or consolidation, unless our Board determines otherwise and the balance of any amounts deduction from a participant's compensation (or deposited) which have not been applied to purchase stock will be returned to the participant, as soon as reasonably practicable.

Amendment

Our Board may amend the 2017 ESPP at any time, subject to stockholder approval if required by applicable law and the New York Stock Exchange listing standards.

Termination

Unless sooner terminated by its terms or by our Board, the 2017 ESPP will terminate on the tenth anniversary of the ESPP Effective Date.

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Section 1: 8-K (8-K - BOARD OF DIRECTORS)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 25, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with

any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) On July 25, 2017, American Water Works Company, Inc. (the "Company") was notified by Julie A. Dobson, who was then a member of the Board of Directors of the Company (the "Board"), of her decision to retire from the Board, effective immediately. Ms. Dobson's retirement from the Board was not the result of any disagreement with the Company on any matter. At the time of her retirement from the Board, Ms. Dobson was the Chairman of the Audit Committee and a member of the Nominating/Corporate Governance Committee.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: July 26, 2017

By: /s/ MICHAEL A. SGRO
Michael A. Sgro
Executive Vice President, General Counsel and Secretary

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Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 2, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with

any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On August 2, 2017, the Company issued a press release announcing its financial results for the second quarter ended June 30, 2017. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit	Description
99.1	Press Release, dated August 2, 2017, issued by American Water Works Company, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: August 2, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
9.1*	Press Release, dated August 2, 2017, issued by American Water Works Company, Inc.

* Furnished herewith.

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Section 2: EX-99.1 (EX-99.1 - EARNINGS PRESS RELEASE DATED AUGUST 2, 2017)

Exhibit 99.1

August 02, 2017

Edward Vallejo
Vice President, Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and Federal Affairs
856-309-4546
maureen.duffy@amwater.com

AMERICAN WATER REPORTS SECOND QUARTER 2017 RESULTS

- **Company affirms 2017 earnings guidance range from continuing operations of $2.98 to $3.08 per diluted share**
- **Second quarter 2017 diluted earnings per share from continuing operations decreased 5.2 percent to 73 cents compared to the second quarter 2016**
- **The Regulated Businesses continued to deliver solid results, increasing 3.7%, which was offset by expected lower capital upgrades in the Military Services group and a one-time cumulative tax adjustment**
- **Revenue increased 2.1 percent to $844 million for the quarter**

VOORHEES, N.J., August 02, 2017– American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter and six months ended June 30, 2017.

“American Water continued to provide clean, safe, reliable and affordable water and water services to our customers,” said Susan Story, president and CEO of American Water. “Our second quarter 2017 earnings per diluted share were down 5.2 percent compared to last year, primarily due to quarter over quarter impacts from: previously disclosed lower capital upgrades from the Military Services Group; a one-time New York tax adjustment resulting from changes in state income tax; warmer and drier weather in second quarter 2016; and a favorable contract settlement also in the second quarter of 2016.

“However, despite these challenges, we continue to execute on growth, especially in our Regulated Businesses. During the quarter, we invested approximately $376 million in infrastructure to better serve our customers and added approximately 22,000 customers year to date through closed acquisitions and organic growth.”

"The long term outlook of our industry and of American Water continues to be strong and compelling. For 2017 we are affirming earnings guidance of $2.98 to $3.08 as well as our long term compound annual earnings growth outlook to be at the 7-10% range," added Story.

Consolidated Results

In the second quarter 2017, income from continuing operations decreased $0.04 per diluted share compared to the prior year. Net income from the Regulated Businesses increased 3.7 percent or $0.02 per diluted share, the Market-based Businesses decreased $0.02 per diluted share and Parent decreased $0.04 per diluted share. The decrease at Parent included a one-time cumulative tax adjustment from a legislative change adopted in New York during the second quarter that exempts water utilities from the manufacturers' tax deduction. This change negatively impacted the apportionment of state income taxes to the Parent by $0.02 per diluted share.

For the six months ended June 30, 2017, income from continuing operations increased $0.03 per diluted share compared to the prior year. Net income from the Regulated Businesses increased 5.4 percent or $0.07 per diluted share from growth driven by capital investments, acquisitions

and organic growth. Net income from the Market-based Businesses decreased $0.02 per diluted share. Finally, Parent decreased $0.02 per diluted share primarily from the one-time cumulative tax adjustment discussed above.

For the first six months of 2017, the company made capital investments of approximately $618 million, including $576 million of which the majority was to improve infrastructure in the Regulated Businesses to provide safe, clean and reliable service to its customers and $42 million for regulated acquisitions. American Water plans to invest about $1.5 – $1.6 billion across its footprint in 2017, with the majority of these investments to improve its water and wastewater systems.

Regulated Businesses

In the second quarter 2017, net income in the Regulated Businesses was $139.6 million, compared to $134.9 million for the same period in 2016. Regulated revenue increased $29.7 million through additional authorized revenue and surcharges to support infrastructure investments, acquisitions, and organic growth; slightly offset by lower demand in 2017 and warmer weather in the second quarter of 2016. Partially offsetting the increases in revenue was higher depreciation expense of $9.7 million, operating and maintenance expense of $7.4 million and interest expense of $3.1 million associated with infrastructure investment growth.

For the six months ended June 30, 2017, net income in the Regulated Businesses was $233.8 million, compared to $222.1 million for the same period in 2016. Regulated revenue increased $54.4 million through additional authorized revenue and surcharges to support infrastructure investments, acquisitions, and organic growth, slightly offset by lower demand in 2017 and warmer weather in the second quarter of 2016. Partially offsetting the increases in revenue was higher depreciation expense of $18.5 million and interest expense of $5.4 million both associated with infrastructure investment growth.

For the six months ended June 30, 2017, the company received additional annualized revenues of approximately $43 million from general rate cases and step increases and approximately $22 million in additional annualized revenues from infrastructure surcharges. The company is awaiting final orders or proposed settlements for general rate cases in three states and filed infrastructure surcharge in two, requesting approximately $234.9 million in total additional annualized revenues. The extent to which requested rate increases will be granted by the applicable regulatory agencies will vary.

For the 12-month period ended June 30, 2017, the adjusted O&M efficiency ratio (a non-GAAP financial measure) improved to 34.5 percent, compared to 35.2 percent for the 12-month period ended June 30, 2016. By reducing O&M expense as a proportion of revenue, American Water is able to make investments in needed capital improvements without significantly impacting customer bills.

Market-based Businesses

In the second quarter of 2017, net income in the Market-based Businesses was $8.8 million, compared to $12.8 million for the same period in 2016. The decrease was primarily driven by lower capital upgrades in the Military Services Group, including completion of a major project at Fort Polk in Louisiana in mid-2016 and a favorable contract settlement in second quarter 2016.

For the six months ended June 30, 2017, net income in the Market-based Businesses was $15.4 million, compared to $18.9 million for the same period in 2016. The decrease was driven by lower capital upgrades in the Military Services Group, including completion of a major project at Fort Polk in Louisiana in mid-2016, and a favorable contract settlement in second quarter 2016.

Dividends

On July 28, 2017, American Water's board of directors declared a quarterly cash dividend payment of $0.415 per share of common stock, payable on September 1, 2017, to all stockholders of record as of August 9, 2017.

2017 Earnings Guidance

American Water has affirmed that its 2017 earnings guidance from continuing operations remains in the range of $2.98 - $3.08 per diluted share. The company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual and quarterly reports filed with the Securities and Exchange Commission ("SEC").

Non-GAAP Financial Measures

This press release includes a presentation of adjusted Regulated O&M efficiency ratio, which excludes from its calculation estimated purchased water revenues and purchased water expenses, the impact of the binding global agreement in principle to settle claims associated with the Freedom Industries, Inc. chemical spill in West Virginia (the "Settlement"), and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. This item constitutes a "non-GAAP financial measure" under SEC rules. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP

financial measure supplements and should be read in conjunction with the company's GAAP disclosures and should not be considered an alternative to any GAAP measure.

Management believes that the presentation of this measure is useful to investors because it provides a means of evaluating the company's operating performance without giving effect to items that are not reflective of management's ability to increase efficiency of the company's regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical performance, management relies, in part, on trends in the company's historical results, exclusive of estimated revenues and expenses related to purchased water, the Settlement and the allocable portion of non-O&M support services costs. The company's definition of this metric may not be comparable to the same or similar measures used by other companies, and, accordingly, this non-GAAP financial measure may have significant limitations on its use.

Set forth in this release is a table that reconciles each of the components used to calculate adjusted O&M efficiency ratio to most directly comparable GAAP financial measure.

Second Quarter 2017 Earnings Conference Call

The second quarter 2017 earnings conference call will take place on Thursday, August 3, 2017, at 9 a.m. Eastern Daylight Time. Interested parties may listen to the conference call over the Internet by logging on to the Investor Relations page of the company's website at https://amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online. The company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, an audio archive of the call will be available through August 10, 2017. U.S. callers may access the audio archive toll-free by dialing 1-877-344-7529. International callers may listen by dialing 1-412-317-0088. The access code for replay is 10110707. The online webcast will be available at American Water's investor relations homepage at http://ir.amwater.com through September 7, 2017. After that, the archived webcast will be available for one year at http://ir.amwater.com.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,800 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting amwater.com.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2017 earnings guidance, projected long-term earnings growth, the outcome of pending acquisition activity and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2016, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, and other decisions; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; potential costs and liabilities of American Water for environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, water management solutions focused on customers in the natural gas exploration and production market; the outcome of litigation and similar government actions, including matters related to the Freedom Industries chemical spill in West Virginia, and the Settlement; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, electrical storms and solar flares; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its operational and information technology ("IT") systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers; exposure or infiltration of its critical infrastructure, operational technology and IT systems through physical or cyber-attacks or other disruptions; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with,

or otherwise obtain, new customers in its Market-based Businesses; cost overruns relating to improvements in or the expansion of its operations; its ability to maintain safe work sites; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or funding requirements or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income, general and other tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new accounting standards or changes to existing standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
In millions except per share data

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Operating revenues	$ 844	$ 827	$ 1,600	$ 1,570
Operating expenses:				
Operation and maintenance	349	351	686	699
Depreciation and amortization	126	115	250	231
General taxes	63	64	131	130
Gain on asset dispositions and purchases	(2)	(2)	(2)	(3)
Total operating expenses, net	536	528	1,065	1,057
Operating income	308	299	535	513
Other income (expense):				
Interest, net	(85)	(81)	(170)	(161)
Other, net	3	7	6	9
Total other income (expense)	(82)	(74)	(164)	(152)
Income from continuing operations before income taxes	226	225	371	361
Provision for income taxes	95	88	147	142
Net income attributable to common stockholders	$ 131	$ 137	$ 224	$ 219
Basic earnings per share:				
Net income attributable to common stockholders	$ 0.74	$ 0.77	$ 1.26	$ 1.23
Diluted earnings per share: (a)				
Net income attributable to common stockholders	$ 0.73	$ 0.77	$ 1.26	$ 1.23
Weighted-average common shares outstanding:				
Basic	178	178	178	178
Diluted	179	178	179	178
Dividends declared per common share	$ 0.415	$ 0.375	$ 0.415	$ 0.375

(a) Amounts may not sum due to rounding.

American Water Works Company, Inc. and Subsidiary Companies
Condensed Consolidated Balance Sheet Information (Unaudited)
In millions except per share data

	June 30, 2017	December 31, 2016
ASSETS		
Property, plant and equipment	$ 20,575	$ 19,954
Accumulated depreciation	(5,184)	(4,962)
Property, plant and equipment, net	15,391	14,992
Current assets:		
Cash and cash equivalents	64	75
Restricted funds	28	20
Accounts receivable, net	288	269
Unbilled revenues	236	263
Materials and supplies	41	39
Other	151	118
Total current assets	808	784
Regulatory and other long-term assets:		
Regulatory assets	1,324	1,289
Goodwill	1,373	1,345
Other	70	72
Total regulatory and other long-term assets	2,767	2,706
TOTAL ASSETS	$ 18,966	$ 18,482

American Water Works Company, Inc. and Subsidiary Companies
Condensed Consolidated Balance Sheet Information (Unaudited)
In millions except per share data

	June 30, 2017	December 31, 2016
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 182,342,528 and 181,798,555 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,416	6,388
Accumulated deficit	(702)	(873)
Accumulated other comprehensive loss	(85)	(86)
Treasury stock, at cost (4,064,010 and 3,701,867 shares, respectively)	(247)	(213)
Total common stockholders' equity	5,384	5,218
Long-term debt	5,650	5,749
Redeemable preferred stock at redemption value	9	10
Total long-term debt	5,659	5,759
Total capitalization	11,043	10,977
Current liabilities:		
Short-term debt	1,117	849
Current portion of long-term debt	686	574
Accounts payable	134	154
Accrued liabilities	490	609
Taxes accrued	47	31
Interest accrued	62	63
Other	125	112
Total current liabilities	2,661	2,392
Regulatory and other long-term liabilities:		
Advances for construction	291	300
Deferred income taxes, net	2,723	2,596
Deferred investment tax credits	23	23
Regulatory liabilities	410	403
Accrued pension expense	422	419
Accrued postretirement benefit expense	85	87
Other	70	67
Total regulatory and other long-term liabilities	4,024	3,895
Contributions in aid of construction	1,238	1,218
Commitments and contingencies (see Note 9)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 18,966	$ 18,482

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)
In millions

(In millions)	For the Twelve Months Ended June 30, 2017	2016
Total operation and maintenance expenses	$ 1,491	$ 1,443
Less:		
Operation and maintenance expenses—Market-Based Businesses	351	397
Operation and maintenance expenses—Other	(43)	(43)
Total operation and maintenance expenses—Regulated Businesses	1,183	1,089
Less:		
Regulated purchased water expenses	123	116
Allocation of non-operation and maintenance expenses	27	32
Impact of binding global agreement in principle	65	—
Adjusted operation and maintenance expenses—Regulated Businesses (a)	$ 968	$ 941
Total operating revenues	$ 3,332	$ 3,249
Less:		
Operating revenues—Market-Based Businesses	428	476
Operating revenues—Other	(22)	(18)
Total regulated operating revenues—Regulated Businesses	2,926	2,791
Less:		
Regulated purchased water revenues*	123	116
Adjusted operating revenues—Regulated Businesses (b)	$ 2,803	$ 2,675
Adjusted operation and maintenance efficiency ratio—Regulated Businesses (a)/(b)	34.5%	35.2%

*Calculation assumes purchased water revenues approximate purchased water expenses.

Section 1: 8-K (8-K - COMPUTATION OF RATIOS)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 7, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01. Other Events.

Each of American Water Works Company, Inc.'s and American Water Capital Corp.'s Computation of Ratio of Earnings to Fixed Charges for the fiscal years ended December 31, 2012, December 31, 2013, December 31, 2014, December 31, 2015 and December 31, 2016 and the six months ended June 30, 2017, is attached hereto as Exhibit 99.1 hereto and is incorporated by reference into this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been filed herewith:

xhibit No.	**Description of Exhibit**
9.1	Computation of Ratio of Earnings to Fixed Charges.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: August 7, 2017

By: /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
9.1*	Computation of Ratio of Earnings to Fixed Charges.

* Filed herewith.

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Section 2: EX-99.1 (EX-99.1 - RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS)

Exhibit 99.1

American Water Works Company, Inc.
Computation of Ratio of Earnings to Fixed Charges
(dollars in millions)

	2012	2013	2014	2015	2016	For the six months ended June 30, 2017
Income from continuing operations before income taxes	$ 630	$ 608	$ 710	$ 782	$ 770	$ 371
Fixed Charges:						
Interest, dividend on mandatory redeemable preferred shares and amortization of debt discount and expenses and premium on all indebtedness	317	315	305	316	331	174
Interest factor in rentals	10	8	7	7	8	5
Interest costs from discontinued operations	-	-	-	-	-	-
Total fixed charges	327	323	312	323	339	179
Income from continuing operations plus fixed charges	957	931	1,022	1,105	1,109	550
Ratio of pre-tax income to net income	1.69	1.64	1.65	1.64	1.65	1.65
Total fixed charges	327	323	312	323	339	179
Ratio of earnings to fixed charges	**2.93**	**2.88**	**3.27**	**3.42**	**3.27**	**3.07**

American Water Capital Corp.
Computation of Ratio of Earnings to Fixed Charges
(dollars in millions)

	2012	2013	2014	2015	2016	For the six months ended June 30, 2017
Income (loss) before income taxes	$ -	$ -	$ -	$ -	$ -	$ -
Fixed Charges:						
Interest, dividend on mandatory redeemable preferred shares and amortization of debt discount and expenses and premium on all indebtedness	214	226	215	229	247	134
Interest factor in rentals	-	-	-	-	-	-
Interest costs from discontinued operations	-	-	-	-	-	-
Total fixed charges	214	226	215	229	247	134
Income (loss) plus fixed charges	214	226	215	229	247	134
Ratio of pre-tax income to net income	-	-	-	-	-	-
Total fixed charges	214	226	215	229	247	134
Ratio of earnings to fixed charges	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

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Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 7, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

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(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01. Other Events.

On August 10, 2017, American Water Capital Corp. ("AWCC"), a wholly owned subsidiary of American Water Works Company, Inc. ("American Water"), sold $600.0 million aggregate principal amount of its 2.95% Senior Notes due 2027 (the "2027 Notes") and $750.0 million aggregate principal amount of its 3.75% Senior Notes due 2047 (the "2047 Notes", and, together with the 2027 Notes, the "Notes")) pursuant to an Underwriting Agreement, dated August 7, 2017, among AWCC, American Water, and J.P. Morgan Securities LLC, U.S. Bancorp Investments, Inc. and Wells Fargo Securities, LLC, as representatives of the several underwriters named therein. The Notes have the benefit of a support agreement from American Water (the "Support Agreement").

The Notes and the obligations of American Water represented by the Support Agreement were registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-3 (File Nos. 333-203949-01 and 333-203949). At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $1.3 billion. AWCC intends to use the net proceeds of the offering to lend funds to American Water and its regulated operating subsidiaries, and to (1) repay $524 million principal amount of AWCC's 6.085% Senior Notes due 2017 upon maturity on October 15, 2017, (2) prepay approximately $138.4 million aggregate principal amount of AWCC's outstanding 5.62% Series C Senior Notes due December 21, 2018 (the "Series C Notes") and approximately $181.4 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes", and, together with the Series C Notes, the "Series Notes")), and (3) repay AWCC's commercial paper obligations, and for general corporate purposes. After such prepayments, approximately $441.7 million aggregate principal amount of Series Notes will remain outstanding.

The Notes were issued pursuant to the Indenture, dated December 4, 2009, by and between AWCC and Wells Fargo Bank, National Association, as trustee, as supplemented by officers' certificates establishing the terms of the Notes.

AWCC intends to notify holders of the Series C Notes and the Series D Notes that AWCC will prepay approximately $319.8 million aggregate principal amount of Series Notes outstanding on or about September 13, 2017 (the "Prepayment Date") at a price equal to the sum of (i) 100% of the aggregate principal amount of the Series Notes to be prepaid plus (ii) a make-whole amount, which is currently estimated to be $33 million in the aggregate, together with interest on such principal amount accrued to the Prepayment Date. As a result of AWCC's prepayment of the Series Notes, American Water intends to record in the third quarter of 2017 a one-time debt extinguishment charge, which is currently estimated to be approximately $7 million and is largely associated with the portion of such debt allocable to American Water. Substantially all of the debt extinguishment charges allocable to American Water's utility subsidiaries are expected to be recorded as regulatory assets that American Water believes will be probable of recovery in future rates.

This Current Report on Form 8-K is being filed to report the closing of the offering summarized herein and the intended notification by AWCC of the prepayment of the Series Notes described above, and to include, as exhibits, certain documents executed in connection with the sale of the Notes.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the prepayment by AWCC of the Series Notes, the make-whole amount to be paid in connection therewith, the amount of the debt extinguishment charge to be recorded by American Water, and the amount of debt extinguishment charges that may be allocable to American Water's utility subsidiaries and recorded as regulatory assets that American Water believes will be probable of recovery in future rates. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in American Water's Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission (the "SEC") on February 21, 2017, and other filings with the SEC, and additional risks and uncertainties, including, without limitation, with respect to the prepayment of the Series Notes, the amount of the make-whole payment as of the Prepayment Date, the amount of the debt extinguishment charge to be recorded by American Water, and the amount of debt extinguishment charges that may be allocable to American Water's utility subsidiaries, as described herein.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of

the date of this Current Report on Form 8-K. American Water does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for American Water to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on American Water's business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been filed herewith:

Exhibit Number	Description
1.1*	Underwriting Agreement, dated August 7, 2017, by and among AWCC, American Water, and J.P. Morgan Securities LLC, U.S. Bancorp Investments, Inc. and Wells Fargo Securities, LLC, as representatives of the several underwriters named therein.
4.1*	Officers' Certificate of AWCC, dated August 10, 2017, establishing the terms and authorizing the issuance of the 2027 Notes.
4.2*	Officers' Certificate of AWCC, dated August 10, 2017, establishing the terms and authorizing the issuance of the 2047 Notes.
5.1*	Opinion of Morgan, Lewis & Bockius LLP.
23.1*	Consent of Morgan, Lewis & Bockius LLP (included in Exhibit 5.1).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: August 10, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

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* Filed herewith.

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Section 2: EX-1.1 (EX-1.1 - UNDERWRITING AGREEMENT DATED AUGUST 7, 2017)

Exhibit 1.1
EXECUTION VERSION

American Water Capital Corp.
1025 Laurel Oak Road
Voorhees, New Jersey 08043

$600,000,000 2.950% Senior Notes due 2027
$750,000,000 3.750% Senior Notes due 2047

Support Agreement from American Water Works Company, Inc.

Underwriting Agreement

August 7, 2017

J.P. Morgan Securities LLC
U.S. Bancorp Investments, Inc. and
Wells Fargo Securities, LLC,
As representatives of the several Underwriters
named in Schedule I hereto
c/o J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

1. American Water Capital Corp., a Delaware corporation (the "**Company**"), proposes, subject to the terms and conditions stated herein, to issue and sell to the underwriters named in Schedule I hereto (the "**Underwriters**"), for whom you (the "**Representatives**") are acting as representatives, (a) an aggregate of $600,000,000 principal amount of the Company's 2.950% Senior Notes due 2027 (the "**2027 Notes**") and (b) an aggregate of $750,000,000 principal amount of the Company's 3.750% Senior Notes due 2047 (the "**2047 Notes**" and, together with the 2027 Notes, the "**Securities**").

2. The Company previously entered into a support agreement with American Water Works

Company, Inc., a Delaware corporation (the "**Parent**"), dated June 22, 2000 and amended as of July 26, 2000 (as such agreement may be hereinafter amended, modified or supplemented from time to time in accordance with the terms and provisions thereof, the "**Support Agreement**"). Pursuant to the Support Agreement, the Parent has agreed, among other things, to provide funds to the Company if it is unable to make timely payment of principal of and premium, if any, and interest on Debt (as defined in the Support Agreement) issued by the Company.

3. The Company and the Parent, jointly and severally, represent and warrant to, and agree with, each of the Underwriters that:

(a) An "automatic shelf registration statement" as defined under Rule 405 under the Securities Act of 1933, as amended (the "**Act**"), on Form S-3 (File Nos. 333-203949 and 333-203949-01) in respect of the Securities has been filed with the Securities and Exchange Commission (the "**Commission**") not earlier than three years prior to the date hereof; such registration statement, and any post-effective amendment thereto, each in a form heretofore delivered to the Representatives, became effective on filing; and no stop order suspending the effectiveness of such registration statement or any part thereof has been issued and, to the Parent's or the Company's knowledge, no proceeding for that purpose has been initiated or threatened by the Commission, and no notice of objection of the Commission to the use of such registration statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act has been received by the Parent or the Company (the base prospectus filed as part of such registration statement, in the form in which it has most recently been filed with the Commission on or prior to the date of this Agreement, is hereinafter called the "**Basic Prospectus**"; any preliminary prospectus (including any preliminary prospectus supplement) relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act is hereinafter called a "**Preliminary Prospectus**"; the various parts of such registration statement, including all exhibits thereto but excluding the Form T-1 and including any prospectus supplement relating to the Securities that is filed with the Commission and deemed by virtue of Rule 430B to be part of such registration statement, each as amended at the time such part of the registration statement became effective, are hereinafter collectively called the "**Registration Statement**"; the Basic Prospectus, as amended and supplemented immediately prior to the Applicable Time (as defined in Section 3(c) hereof), is hereinafter called the "**Pricing Prospectus**"; the final prospectus relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 7(a) hereof is hereinafter called the "**Prospectus**"; any reference herein to the Basic Prospectus, the Pricing Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of such prospectus; any reference to any amendment or supplement to the Basic Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any post-effective amendment to the Registration Statement, any prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act and any documents filed under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and incorporated therein, in each case after the date of the Basic Prospectus, such Preliminary Prospectus, or the Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration

Statement that is incorporated by reference in the Registration Statement; and any "issuer free writing prospectus" as defined in Rule 433 under the Act relating to the Securities is hereinafter called an "**Issuer Free Writing Prospectus**");

(b) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission. Each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"), and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, *however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Representatives expressly for use therein (the "**Underwriter Information**");

(c) For the purposes of this Agreement, the "**Applicable Time**" is 4:30 p.m. (Eastern time) on the date of this Agreement. The Pricing Prospectus, as supplemented by the final term sheet prepared and filed pursuant to Section 7(a) hereof, taken together (collectively, the "**Pricing Disclosure Package**"), as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Free Writing Prospectus listed on Schedule II hereto does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each such Issuer Free Writing Prospectus, taken together with the Pricing Disclosure Package as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however,* that the representations and warranties in this clause (c) shall not apply to statements or omissions made in an Issuer Free Writing Prospectus in reliance upon and in conformity with the Underwriter Information;

(d) The documents incorporated by reference in the Pricing Prospectus and the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such

documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however,* that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(e) The interactive data in eXtensible Business Reporting Language filed as exhibits to the reports included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto;

(f) (i) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder and (ii) the Registration Statement and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus do not and will not, as of the applicable effective date as to each part of the Registration Statement and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however,* that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(g) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, (A) none of the Parent, the Company or any of the Parent's other subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and which could reasonably be expected to, in each case, individually or in the aggregate, have a material adverse effect on the financial condition, stockholders' equity, properties or results of operations of the Parent, the Company and the Parent's other subsidiaries, taken as a whole (a "**Material Adverse Effect**"); and (B) no labor dispute with the employees of the Parent, the Company or any of the Parent's other subsidiaries exists or, to the knowledge of the Company or the Parent, is imminent, which could reasonably be expected to result in a Material Adverse Effect; and (ii) since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, otherwise than as set forth or contemplated in the Pricing

Prospectus, there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Parent or increase in consolidated long-term debt of the Parent and its consolidated subsidiaries, or (B) any change, or any development involving a prospective change, in or affecting the general affairs or management, otherwise than as set forth or contemplated in the Pricing Prospectus, that could reasonably be expected to have a Material Adverse Effect;

(h) The Parent, the Company and each of the Parent's other subsidiaries has good and sufficient title to all real property and personal property owned by them sufficient for the conduct of their respective businesses, in each case free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus or such as do not affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Parent, the Company and each of the Parent's other subsidiaries except, in each case, as would not, individually or in the aggregate, have a Material Adverse Effect; and any real property and buildings held under lease by the Parent, the Company and each of the Parent's other subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Parent, the Company and each of the Parent's other subsidiaries, otherwise than as set forth or contemplated in the Pricing Prospectus or as would not, individually or in the aggregate, have a Material Adverse Effect;

(i) Each of the Parent and the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, have a Material Adverse Effect; and each subsidiary of the Parent listed on Schedule IV hereto (each a "**Significant Subsidiary**") has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, except where the failure to be in good standing would not, individually or in the aggregate, have a Material Adverse Effect;

(j) All of the issued shares of capital stock of the Parent and the Company have been duly and validly authorized and issued and are fully paid and non-assessable; and all of the issued shares of capital stock of each Significant Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and (except for directors' qualifying shares and except as otherwise set forth in the Pricing Prospectus) are owned directly or

indirectly by the Parent, free and clear of all liens, encumbrances, equities or claims, except for liens, encumbrances, equities or claims that would not, individually or in the aggregate, have a Material Adverse Effect;

(k) This Agreement has been duly authorized, executed and delivered by each of the Company and the Parent; the Securities have been duly authorized and, when issued and delivered pursuant to this Agreement, will have been duly executed, authenticated, issued and delivered and will constitute valid and legally binding obligations of the Company entitled to the benefits provided by the indenture, dated as of December 4, 2009 (the "**Indenture**"), between the Company and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**"), under which they are to be issued; the Indenture has been duly authorized, executed and delivered by the Company and duly qualified under the Trust Indenture Act and constitutes a valid and legally binding instrument, enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles; the Support Agreement has been duly authorized, executed and delivered by the Parent and the Company and constitutes a valid and legally binding instrument, enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles; and the Securities, the Indenture and the Support Agreement will conform to the descriptions thereof in the Pricing Prospectus and the Prospectus and will be in substantially the form previously delivered to you;

(l) None of the transactions contemplated by this Agreement (including, without limitation, the use of the proceeds from the sale of the Securities) will violate or result in a violation of Section 7 of the Exchange Act, or any regulation promulgated thereunder, including, without limitation, Regulations T, U, and X of the Board of Governors of the Federal Reserve System;

(m) The issue and sale of the Securities and the compliance by the Parent and the Company with all of the provisions of the Securities, the Indenture, the Support Agreement and this Agreement and the consummation of the transactions herein and therein contemplated (i) will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Parent, the Company or any of the Parent's other subsidiaries is a party or by which the Parent, the Company or any of the Parent's other subsidiaries is bound or to which any of the property or assets of the Parent, the Company or any of the Parent's other subsidiaries is subject, and (ii) will not result in any violation of (A) the provisions of the Certificate of Incorporation or the By-laws, as amended, of the Company or the Restated Certificate of Incorporation or the Amended and Restated Bylaws of the Parent or (B) any statute or any order, rule or regulation of any court or

governmental agency or body having jurisdiction over the Parent, the Company or any of the Parent's other subsidiaries or any of their properties, except in the case of clauses (i) and (ii)(B) for any conflict, breach, violation or default that would not, individually or in the aggregate, have a Material Adverse Effect or impair the ability of the Parent or the Company to consummate the transactions contemplated by this Agreement; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities or the consummation by the Parent or the Company of the transactions contemplated by this Agreement, the Indenture, or the Support Agreement, except (i) the registration under the Act of the Securities, (ii) such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters and (iii) such consents, approvals, authorizations, orders, registrations or qualifications that have already been obtained or the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or impair the ability of the Parent or the Company to consummate the transactions contemplated by this Agreement;

(n) None of the Parent, the Company or any of the Parent's other subsidiaries is (A) in violation of its Certificate of Incorporation or By-laws, as amended, in the case of the Company, or its Restated Certificate of Incorporation or Amended and Restated Bylaws, in the case of the Parent, or similar organizational documents, in the case of the Parent's other subsidiaries, or (B) in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or to which it or any of its properties is subject, except in the case of clause (A) (with respect to subsidiaries of the Parent other than the Company and the Significant Subsidiaries) and clause (B), for violations or defaults that would not, individually or in the aggregate, have a Material Adverse Effect;

(o) The statements set forth in the Pricing Prospectus and Prospectus under the captions "Description of the Notes" and "Description of AWCC Debt Securities and American Water Support Agreement", insofar as they purport to constitute a summary of the terms of the Securities, under the caption "Underwriting", insofar as they purport to describe the provisions of the documents described therein, and under the caption "Certain United States Federal Income Tax Considerations", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects;

(p) Other than as set forth in the Pricing Prospectus, there are no legal or governmental proceedings pending to which the Parent, the Company or any of the Parent's other subsidiaries is a party or of which any property of the Parent, the Company or any of the Parent's other subsidiaries is the subject

which would reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect; and, to the best of the Company's and the Parent's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(q) Neither the Parent nor the Company is or, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof, will be an "investment company", as such term is defined in the Investment Company Act of 1940, as amended (the "**Investment Company Act**");

(r) (A) (i) At the time of filing the Registration Statement, (ii) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), and (iii) at the time the Parent or the Company or any person acting on the Parent's or the Company's behalf (within the meaning, for this clause only, of Rule 163(c) under the Act) made any offer relating to the Securities in reliance on the exemption of Rule 163 under the Act, the Parent and the Company were each a "well-known seasoned issuer" as defined in Rule 405 under the Act; and (B) at the earliest time after the filing of the Registration Statement that the Parent or the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Securities, neither the Parent nor the Company was an "ineligible issuer" as defined in Rule 405 under the Act;

(s) PricewaterhouseCoopers LLP, which has certified certain financial statements of the Parent and its subsidiaries, is an independent registered public accounting firm with respect to the Parent and its subsidiaries as required by the Act and the rules and regulations of the Commission thereunder;

(t) Except as disclosed in the Pricing Prospectus, the Parent maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that complies in all material respects with the requirements of the Exchange Act and has been designed by the Parent's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Except as disclosed in the Pricing Prospectus, the Parent's internal control over financial reporting is effective and the Parent is not aware of any material weaknesses in its internal control over financial reporting;

(u) Except as disclosed in the Pricing Prospectus, since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, there has been no change in the Parent's internal control

over financial reporting that has materially affected, or is reasonably likely to materially affect, the Parent's internal control over financial reporting;

(v) The Parent maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply in all material respects with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Parent, the Company and each of the Parent's other subsidiaries is made known to the Parent's principal executive officer and principal financial officer by others within those entities; and, except as disclosed in the Pricing Prospectus, such disclosure controls and procedures are effective;

(w) The Parent, the Company and each of the Parent's other subsidiaries possess all permits, licenses, franchises, authorizations, registrations, qualifications and approvals of governmental or regulatory authorities as may be required of them to own their properties and conduct their businesses in the manner described in the Pricing Prospectus (collectively, "**Permits**"), except where the failure to possess such Permits would not, individually or in the aggregate, have a Material Adverse Effect; and the Parent, the Company and each of the Parent's other subsidiaries have fulfilled and performed all of their obligations with respect to such Permits required to have been performed, and no event has occurred which allows or, after notice or lapse of time or both, would allow revocation or termination thereof or result in any other material impairment of the rights of the holder of any such Permit, except, in each case, as disclosed in the Pricing Prospectus or would not, individually or in the aggregate, have a Material Adverse Effect;

(x) To the Parent's and the Company's knowledge, the Parent, the Company and each of the Parent's other subsidiaries own, possess or have the right to employ sufficient patents, patent rights, licenses, inventions, copyrights, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, software, systems or procedures), trademarks, service marks and trade names, inventions, computer programs, technical data and information (collectively, the "**Intellectual Property Rights**") reasonably necessary to conduct their businesses as now conducted, except where the failure to own, possess or have the right would not, individually or in the aggregate, have a Material Adverse Effect. None of the Parent, the Company or any of the Parent's other subsidiaries has received any notice of infringement or conflict with asserted rights of others with respect to any of the Intellectual Property Rights, whether or not arising from transactions in the ordinary course of business, except for such infringements or conflicts that would not, individually or in the aggregate, have a Material Adverse Effect. To the Parent's and the Company's knowledge, the use of the Intellectual Property Rights in connection with the business and operations of the Parent, the Company and each of the Parent's other subsidiaries does not infringe on the rights of any person;

(y) Except as disclosed in the Pricing Prospectus, or as would not, individually or in the aggregate, have a Material Adverse Effect, none of the Parent, the Company or any of the Parent's other subsidiaries (i) is in violation of any law, statute, or any rule, regulation, decision or order of any governmental agency or body or any court relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**Environmental Laws**"), (ii) owns or operates any real property which, to the Parent's or the Company's knowledge, is contaminated with any substance that is regulated under any Environmental Laws, (iii) is, to the Parent's or the Company's knowledge, liable for any off-site disposal or contamination pursuant to any Environmental Laws, or (iv) has received any written notice of any claim under any Environmental Laws, and the Parent and the Company are not aware of any pending investigation which could reasonably be expected to lead to such a claim;

(z) The Parent, the Company and each of the Parent's other subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are, in management's judgment, prudent and customary in the businesses in which they are engaged; within the past five years, none of the Parent, the Company or any such subsidiary has been refused any insurance coverage sought or applied for; and none of the Parent, the Company or any such other subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not, individually or in the aggregate, have a Material Adverse Effect, except, in each case, as set forth in or contemplated in the Pricing Prospectus;

(aa) Neither the Parent nor the Company has taken or will take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities;

(bb) The Parent is in compliance in all material respects with all provisions of the Sarbanes-Oxley Act of 2002 that are effective and applicable to the Parent as of the date hereof;

(cc) The Parent, the Company and each of the Parent's other subsidiaries have filed all federal, state and foreign tax returns, or have filed for extensions of the due dates of such returns, required to be filed and have paid all taxes shown as due thereon except where the failure to so file such returns would not, individually or in the aggregate, have a Material Adverse Effect; and other than tax deficiencies which the Parent, the Company or any of the Parent's other subsidiaries is contesting in good faith and for which the Parent, the Company or any of the Parent's other subsidiaries has provided adequate

reserves, there is no tax deficiency that has been asserted in writing against the Parent, the Company or any of the Parent's other subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect; and the United States federal income tax returns of the Parent, the Company and each of the Parent's other subsidiaries through the fiscal year ended December 31, 2013 have been settled and no assessment in connection therewith has been made against the Parent, the Company or any of the Parent's other subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect;

(dd) None of the Company, the Parent, any of the Parent's other subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company, the Parent, or any of the Parent's other subsidiaries is aware of or has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment;

(ee) The operations of the Company, the Parent and each of the Parent's other subsidiaries are and have been conducted at all times in compliance in all material respects with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company, the Parent, or any of the Parent's other subsidiaries with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened; and

(ff) None of the Company, the Parent, any of the Parent's other subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company, the Parent, or any of the Parent's other subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds, to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

Any certificate signed by any authorized officer of the Parent or the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation

and warranty by the Parent or the Company, as the case may be, as to matters covered thereby, to each Underwriter.

4. Subject to the terms and conditions herein set forth, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, (a) at a purchase price of 99.021% of the principal amount thereof, including accrued interest, if any, from August 10, 2017 to the Time of Delivery (as defined in Section 6(a)), the principal amount of the 2027 Notes set forth opposite the name of such Underwriter in Schedule I hereto and (b) at a purchase price of 98.818% of the principal amount thereof, including accrued interest, if any, from August 10, 2017 to the Time of Delivery), the principal amount of the 2047 Notes set forth opposite the name of such Underwriter in Schedule I hereto.

5. Upon the authorization by the Company of the release of the Securities, the several Underwriters propose to offer the Securities for sale upon the terms and conditions set forth in the Prospectus.

6. (a) Each series of Securities to be purchased by each Underwriter hereunder will be represented by one or more definitive global securities in book-entry form which will be deposited by or on behalf of the Company with The Depository Trust Company ("**DTC**") or its designated custodian. The Company will deliver the Securities to the Representatives, for the account of the Underwriters, against payment by or on behalf of the Underwriters of the purchase price therefor by wire transfer of Federal (same day) funds, by causing DTC to credit the Securities to the account of the Representatives at DTC. The Company will cause forms of the certificates representing the Securities to be made available to the Representatives for checking at least twenty-four hours prior to the Time of Delivery hereunder at the office of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004 (the "**Closing Location**"). The time and date of such delivery and payment shall be 9:30 a.m., Eastern time, on August 10, 2017 or such other time and date as the Representatives and the Company may agree upon in writing. Such time and date is herein called the "**Time of Delivery**".

(b) The documents to be delivered at the Time of Delivery by or on behalf of the parties hereto pursuant to Section 10 hereof, including the cross receipt for the Securities and any additional documents requested by the Underwriters pursuant to Section 10 hereof, will be delivered at the Closing Location, and the Securities will be delivered through the facilities of DTC, all at the Time of Delivery. A meeting will be held at the Closing Location at 2:00 p.m., Eastern time, on the New York Business Day next preceding the Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Agreement, "**New York Business Day**" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is

not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

7. Each of the Parent and the Company, jointly and severally, agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement and to make no further amendment or any supplement to the Registration Statement, the Basic Prospectus or the Prospectus prior to the Time of Delivery without the consent of the Representatives promptly after reasonable notice thereof (which consent shall not be unreasonably withheld); to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish the Representatives with copies thereof; to prepare a final term sheet, containing solely a description of the Securities, in a form substantially consistent with Schedule III hereto and to file such term sheet pursuant to Rule 433(d) under the Act within the time required by such Rule; to file promptly all other material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act; to file promptly all reports and any definitive proxy or information statements required to be filed by the Parent or the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required in connection with the offering or sale of the Securities; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Securities, of any notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order; and in the event of any such issuance of a notice of objection, promptly to take such steps including, without limitation, amending the Registration Statement or filing a new registration statement, at its own expense, as may be necessary to permit offers and sales of the Securities by the Underwriters (references herein to the Registration Statement shall include any such amendment or new registration statement);

(b) If by the third anniversary (the "**Renewal Deadline**") of the initial effective date of the Registration Statement, any of the Securities remain unsold by the Underwriters, the Parent will file, if it has not already done so and is eligible to do so, a new automatic shelf registration statement relating to the Securities, in a form satisfactory to the Representatives. If at the Renewal Deadline the Parent is no longer eligible to file an automatic shelf registration statement, the Parent will, if it has not already done so, file a new shelf registration statement relating to the Securities, in a form satisfactory to the Representatives and will use its best efforts to cause such registration statement to be declared effective within 180 days after the Renewal Deadline. The Parent will take all other action necessary or appropriate to permit the public offering and sale of the Securities to continue as contemplated in the expired registration statement relating to the Securities. References herein to the Registration Statement shall include such new automatic shelf registration statement or such new shelf registration statement, as the case may be;

(c) Promptly from time to time to take such action as the Representatives may reasonably request to qualify the Securities for offering and sale under the securities laws of such U.S. jurisdictions as the Representatives may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Securities; *provided* that in connection therewith neither the Parent nor the Company shall be required to qualify as a foreign corporation or to file a general consent to service of process or subject itself to taxation for doing business in any jurisdiction;

(d) To use reasonable efforts to furnish to the Underwriters as soon as practicable after the date of this Agreement but no later than 5:30 p.m., Eastern time, on the second New York Business Day immediately succeeding the date of this Agreement and from time to time, with printed and electronic copies of the Prospectus in such quantities as the Representatives may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is, based on advice of counsel, required at any time during the period from the time of issue of the Prospectus until the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Securities and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, to notify the Representatives and upon the request of the Representatives to file such document and to prepare and furnish without charge to each Underwriter and to

any dealer in securities as many printed and electronic copies as the Representatives may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales of any of the Securities at any time nine months or more after the time of issue of the Prospectus, upon the request of the Representatives but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many printed and electronic copies as the Representatives may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(e) To make generally available to its securityholders as soon as practicable, but in any event not later than sixteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Parent and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Parent, Rule 158);

(f) During the period beginning from the date hereof and continuing until the Time of Delivery, not to offer, sell, contract to sell, or otherwise dispose of, except as provided hereunder, any securities of the Parent or the Company that are substantially similar to the Securities without the Representatives' prior written consent;

(g) To take all reasonable action necessary to enable Standard & Poor's Ratings Services, a division of Standard & Poor's Financial Services, LLC, and Moody's Investors Service Inc. to provide their respective credit ratings of the Securities;

(h) During a period of three years from the effective date of the Registration Statement, to furnish to the holders of the Securities as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Parent and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to the holders of the Securities consolidated summary financial information of the Parent and its subsidiaries for such quarter in reasonable detail; *provided, however*, that the Parent and the Company may satisfy the requirements of this subsection by making any such reports, communications or information available on its website or by filing such information with the Commission via EDGAR or any successor filing system thereto;

(i) To use the net proceeds received by it from the sale of the Securities pursuant to this Agreement in the manner specified in the Pricing Prospectus under the caption "Use of Proceeds";

(j) To pay the required Commission filing fees relating to the Securities within the time required by Rule 456(b)(1) under the Act without regard to the proviso therein and otherwise in accordance with Rules 456(b) and 457(r) under the Act; and

(k) Upon request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Parent's trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Securities (the "**License**"); *provided*, *however*, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred.

8. (a) (i) Each of the Parent and the Company represents and agrees that, other than the final term sheet in a form substantially consistent with Schedule III hereto and filed pursuant to Section 7(a) hereof, without the prior written consent of the Representatives, it has not made and will not make any offer relating to the Securities that would constitute a "free writing prospectus" as defined in Rule 405 under the Act; (ii) each Underwriter represents and agrees that, without the prior written consent of the Company, other than one or more term sheets relating to the Securities substantially consistent with Schedule III hereto, containing no "issuer information" (as defined in Rule 433(h)(2) under the Act) that was not included in the Preliminary Prospectus or Pricing Prospectus, it has not made and will not make any offer relating to the Securities that would constitute a free writing prospectus; and (iii) any such free writing prospectus the use of which has been consented to by the Company and the Representatives is listed on Schedule II hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show; and

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus any event occurred or occurs as a result of which such Issuer Free Writing Prospectus would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or, when taken together with the Pricing Prospectus, would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representatives

and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus or other document which will correct such conflict, statement or omission; *provided, however,* that this representation and warranty shall not apply to any statements or omissions in an Issuer Free Writing Prospectus made in reliance upon and in conformity with the Underwriter Information.

9. Each of the Parent and the Company covenants and agrees with the several Underwriters that the Parent and the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Parent's and the Company's counsel and accountants in connection with the registration of the Securities under the Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any agreement among Underwriters, this Agreement, the Indenture, the Support Agreement, any Blue Sky survey, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iii) all expenses in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 7(c) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with any Blue Sky survey; (iv) any fees charged by securities rating services for rating the Securities; (v) the cost of preparing the Securities; (vi) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with the Indenture, the Securities and the Support Agreement; and (vii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section; *provided, however,* that reimbursements to the Underwriters, if any, shall be limited to expenses actually incurred and *provided further* that in the case of clause (iii), the Parent and the Company shall not be requested to cover expenses of counsel for the Underwriters in excess of $5,000 in the aggregate.

10. The obligations of the Underwriters hereunder shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Parent and the Company herein are, at and as of the Time of Delivery, true and correct, the condition that the Parent and the Company shall have performed all of their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 7(a) hereof; the final term sheet contemplated by Section 7(a) hereof, and any other material required to be filed by the Company

pursuant to Rule 433(d) under the Act, shall have been filed with the Commission within the applicable time period prescribed for such filings by Rule 433; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission and no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act shall have been received; no stop order suspending or preventing the use of the Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Representatives;

(b) Sullivan & Cromwell LLP, counsel for the Underwriters, shall have furnished to the Representatives such written opinions, dated the Time of Delivery, in form and substance satisfactory to the Representatives, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Morgan, Lewis & Bockius LLP, counsel for the Company, shall have furnished to the Representatives their written opinion and 10b-5 statement, each dated the Time of Delivery, in the form attached as Annexes IIA and IIB hereto;

(d) Jeffrey M. Taylor, Secretary of the Company, shall have furnished to the Representatives his written opinion, dated the Time of Delivery, in the form attached as Annex III hereto;

(e) (i) On the date of this Agreement, (ii) on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and (iii) at the Time of Delivery, PricewaterhouseCoopers LLP shall have furnished to the Representatives a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representatives, to the effect set forth in Annex I hereto;

(f) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, none of the Parent, the Company or any of the Parent's other subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree and (ii) since the date as of which information is given in the Pricing Prospectus there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Parent or increase in consolidated long-term debt of the Parent and its consolidated subsidiaries, or (B) any change, or any development involving a prospective change, in or affecting the general affairs, management, financial

position, stockholders' equity or results of operations of the Parent, the Company and the Parent's other subsidiaries, otherwise, in any such case described in clause (i) or (ii), than as set forth or contemplated in the Pricing Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus;

(g) On or after the Applicable Time (i) no downgrading shall have occurred in the rating accorded the Parent's or the Company's debt securities by Standard & Poor's Ratings Services or Moody's Investors Service, Inc., each a "nationally recognized statistical rating organization", as that term is defined by Section 3(a)(62) of the Exchange Act, and (ii) neither such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Parent's or the Company's debt securities;

(h) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Parent's or the Company's securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities declared by Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus; and

(i) Each of the Parent and the Company shall have furnished or caused to be furnished to the Representatives at the Time of Delivery certificates of officers of the Parent and the Company reasonably satisfactory to the Representatives as to the accuracy of the representations and warranties of the Parent and the Company, respectively, herein at and as of the Time of Delivery, as to the performance by the Parent and the Company of all their respective obligations hereunder to be performed at or prior to the Time of Delivery, as to the matters set forth in subsections (a), (f) and (g) of this Section and as to such other matters as the Representatives may reasonably request.

11. (a) The Parent and the Company will, jointly and severally, indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or

liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus or any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Act, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; *provided*, *however*, that the Parent and the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information.

(b) Each Underwriter will, severally and not jointly, indemnify and hold harmless the Parent and the Company against any losses, claims, damages or liabilities, joint or several, to which the Parent or the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Parent and the Company for any legal or other expenses reasonably incurred by the Parent or the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the

commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ one separate counsel, and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate firm (in addition to one local counsel in each jurisdiction) if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) in an action where both the indemnifying and the indemnified party are actual or potential defendants, the indemnified party shall have reasonably concluded that there are actual or potential conflicting interests between the indemnifying party and the indemnified party, including situations in which there may be one or more legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. No indemnified party shall, without the written consent of the indemnifying party (such consent not to be unreasonably withheld), effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder.

(d) If the indemnification provided for in this Section 11 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Parent and the Company on the one hand and the Underwriters on the other from the offering of the Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Parent and the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Parent and the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Parent and the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Parent or the Company on the one hand or the Underwriter Information on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Parent, the Company, and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Parent and the Company under this Section 11 shall be in addition to any liability which the Parent and the Company may otherwise have and shall extend, upon the same terms and conditions, to the directors, officers, employees and agents of each Underwriter and to each person, if any, who controls any Underwriter within the meaning of the Act and each broker-dealer affiliate of any Underwriter; and the obligations of the Underwriters under this Section 11 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer, director and employee of the Parent and the Company and to each person, if any, who controls the Parent or the Company within the meaning of the Act.

12. (a) If any Underwriter shall default in its obligation to purchase the Securities which it has agreed to purchase hereunder, the Representatives may in their discretion arrange for any of the Representatives or another party or other parties to purchase such Securities on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Representatives do not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to the Representatives to purchase such Securities on such terms. In the event that, within the respective prescribed periods, the Representatives notify the Company that they have so arranged for the purchase of such Securities, or the Company notifies the Representatives that it has so arranged for the purchase of such Securities, the Representatives or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to prepare promptly any amendments to the Registration Statement or the Prospectus which in the opinion of the Representatives may thereby be made necessary. The term "Underwriter" as used in this

Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Securities.

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased does not exceed one-eleventh of the aggregate principal amount of all the Securities, then the Company shall have the right to require each non-defaulting Underwriter to purchase the principal amount of Securities which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the

principal amount of Securities which such Underwriter agreed to purchase hereunder) of the Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of Securities which remains unpurchased exceeds one-eleventh of the aggregate principal amount of all the Securities, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Securities of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 9 hereof and the indemnity and contribution agreements in Section 11 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

13. The respective indemnities, agreements, representations, warranties and other statements of the Parent, the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, the Parent or the Company, or any officer or director or controlling person of the Parent or the Company and shall survive delivery of and payment for the Securities.

14. If for any reason, other than a default by the Underwriters in their obligation to purchase the Securities, any Securities are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters through the Representatives for all reasonable expenses approved in writing by the Representatives, including reasonable fees and disbursements of counsel, incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Securities not so delivered, but the Parent and the Company shall then be under no further liability to the Underwriters except as provided in Sections 9 and 11 hereof.

15. In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by the Representatives jointly.

16. All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail or facsimile transmission to the Representatives in care of: J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179, Attention: Investment

Grade Syndicate Desk-3rd floor, Fax: (212) 834-6081; U.S. Bancorp Investments, Inc., 214 North Tryon Street, 26th Floor, Charlotte, North Carolina 28202, Attention: Credit Fixed Income, Fax: (877) 774-3462; or Wells Fargo Securities, LLC, 550 South Tryon Street, 5th Floor, Charlotte, North Carolina 28202, Attention: Transaction Management, Fax: (704) 410-0326; and if to the Parent or the Company shall be delivered or sent by mail or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary. Any such statements, requests, notices or agreements shall take effect upon receipt thereof. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Parent and the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

17. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Parent and the Company and, to the extent provided in Sections 11 and 13 hereof, the officers and directors of the Parent and the Company and each person who controls the Parent and the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Securities from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

18. Time shall be of the essence of this Agreement. As used herein, the term "**business day**" shall mean any day when the Commission's office in Washington, D.C. is open for business.

19. The Parent and the Company acknowledge and agree that (i) the purchase and sale of the Securities pursuant to this Agreement is an arm's-length commercial transaction between the Parent and the Company, on the one hand, and the several Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not as an agent or fiduciary of the Parent or the Company, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Parent or the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Parent or the Company) or any other obligation to the Parent or the Company except the obligations expressly set forth in this Agreement and (iv) the Parent and the Company have consulted their own legal and financial advisors to the extent they deemed appropriate. The Parent and the Company agree that they will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Parent or the Company, in connection with such transaction or the process leading thereto.

20. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Parent, the Company and the Underwriters, or any of them, with respect to the subject matter hereof.

21. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

22. The Parent, the Company and each of the Underwriters hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

23. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

24. Notwithstanding anything herein to the contrary, each of the Parent and the Company are authorized to disclose to any persons the tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Parent and the Company relating to that treatment and structure, without the Underwriters imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, “tax treatment” means U.S. Federal and State income tax treatment, and “tax structure” is limited to any facts that may be relevant to that treatment.

If the foregoing is in accordance with your understanding, please sign and return to us five counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters, the Parent and the Company.

Very truly yours,

AMERICAN WATER CAPITAL CORP.

By: /s/ Jennifer Gambol
Name: Jennifer Gambol
Title: Vice President and Treasurer

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ Jennifer Gambol
Name: Jennifer Gambol
Title: Vice President and Treasurer

SC1:4445622.4

Accepted as of the date hereof:

J.P. Morgan Securities LLC

U.S. Bancorp Investments, Inc.

Wells Fargo Securities, LLC

On behalf of each of the Underwriters

J.P. MORGAN SECURITIES LLC

By: /s/ Som Bhattacharyya
Name: Som Bhattacharyya
Title: Executive Director

U.S. BANCORP INVESTMENTS, INC.

By: /s/ Brent Kreissl
Name: Brent Kreissl
Title: Managing Director

WELLS FARGO SECURITIES, LLC

By: /s/ Carolyn Hurley
Name: Carolyn Hurley
Title: Director

SCHEDULE I

	Principal Amount of 2027 Notes to be Purchased	Principal Amount of 2047 Notes to be Purchased
J.P. Morgan Securities LLC	$ 120,000,000	$ 150,000,000
U.S. Bancorp Investments, Inc.	$ 120,000,000	$ 150,000,000
Wells Fargo Securities, LLC	$ 120,000,000	$ 150,000,000
MUFG Securities Americas Inc.	$ 54,000,000	$ 67,500,000
Mizuho Securities USA LLC	$ 30,000,000	$ 37,500,000
PNC Capital Markets LLC	$ 30,000,000	$ 37,500,000
Regions Securities LLC	$ 24,000,000	$ 30,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$ 14,000,000	$ 17,500,000
RBC Capital Markets, LLC	$ 14,000,000	$ 17,500,000
TD Securities (USA) LLC	$ 14,000,000	$ 17,500,000
BB&T Capital Markets, a division of BB&T Securities, LLC	$ 12,000,000	$ 15,000,000
Santander Investment Securities Inc.	$ 12,000,000	$ 15,000,000
CastleOak Securities, L.P.	$ 4,500,000	$ 5,625,000
C.L. King & Associates, Inc.	$ 4,500,000	$ 5,625,000
Drexel Hamilton, LLC	$ 4,500,000	$ 5,625,000
Loop Capital Markets LLC	$ 4,500,000	$ 5,625,000
MFR Securities, Inc.	$ 4,500,000	$ 5,625,000
Samuel A. Ramirez & Company, Inc.	$ 4,500,000	$ 5,625,000

Siebert Cisneros Shank & Co., L.L.C.	$ 4,500,000	$ 5,625,000
The Williams Capital Group, L.P.	$ 4,500,000	$ 5,625,000
Total	$ 600,000,000	$ 750,000,000
Total	$1,350,000,000	

SC1:4445622.4

SCHEDULE II

a) Issuer Free Writing Prospectuses included in the Pricing Disclosure Package: Final term sheet attached hereto as Schedule III.

b) Issuer Free Writing Prospectuses not included in the Pricing Disclosure Package: NetRoadshow dated August 7, 2017.

SCHEDULE III

August 7, 2017

American Water Capital Corp.
American Water Works Company, Inc.

$600,000,000 2.950% Senior Notes due 2027
$750,000,000 3.750% Senior Notes due 2047
Term Sheet

Issuer:	American Water Capital Corp.
Support Provider:	American Water Works Company, Inc.
Security:	2.950% Senior Notes due 2027 (the "2027 Notes") 3.750% Senior Notes due 2047 (the "2047 Notes")
Size:	$600,000,000 for the 2027 Notes $750,000,000 for the 2047 Notes
Trade Date:	August 7, 2017
Settlement Date:	August 10, 2017 (T+3)
Maturity Date:	September 1, 2027 for the 2027 Notes September 1, 2047 for the 2047 Notes
Benchmark Treasury:	UST 2.375% due May 15, 2027 for the 2027 Notes UST 3.000% due February 15, 2047 for the 2047 Notes
Benchmark Treasury Yield:	2.258% for the 2027 Notes 2.837% for the 2047 Notes
Spread to Benchmark Treasury:	+73 bps for the 2027 Notes +93 bps for the 2047 Notes
Yield to Maturity:	2.988% for the 2027 Notes 3.767% for the 2047 Notes
Coupon:	2.950% for the 2027 Notes 3.750% for the 2047 Notes
Price to Public:	99.671% for the 2027 Notes 99.693% for the 2047 Notes
Interest Payment Dates:	2027 Notes: March 1 and September 1 of each year, beginning on March 1, 2018 2047 Notes: March 1 and September 1 of each year, beginning on March 1, 2018
Redemption Provisions:	
Make whole call:	Adjusted Treasury Rate +12.5 bps for the 2027 Notes Adjusted Treasury Rate +15 bps for the 2047 Notes
Par call:	On or after June 1, 2027, for the 2027 Notes On or after March 1, 2047, for the 2047 Notes
CUSIP:	2027 Notes: 03040W AQ8 2047 Notes: 03040W AR6
ISIN:	2027 Notes: US03040WAQ87 2047 Notes: US03040WAR60
Ratings (1):	[intentionally omitted]

Joint Book-Running Managers:	J.P. Morgan Securities LLC U.S. Bancorp Investments, Inc. Wells Fargo Securities, LLC MUFG Securities Americas Inc.
Co-Managers:	Mizuho Securities USA LLC PNC Capital Markets LLC Regions Securities LLC Merrill Lynch, Pierce, Fenner & Smith Incorporated RBC Capital Markets, LLC TD Securities (USA) LLC BB&T Capital Markets, a division of BB&T Securities, LLC Santander Investment Securities Inc. CastleOak Securities, L.P. C.L. King & Associates, Inc. Drexel Hamilton, LLC Loop Capital Markets LLC MFR Securities, Inc. Samuel A. Ramirez & Company, Inc. Siebert Cisneros Shank & Co., L.L.C. The Williams Capital Group, L.P.

(1) Neither of these ratings is a recommendation to buy, sell or hold these securities. Each rating may be subject to revision or withdrawal at any time, and should be evaluated independently of any other rating.

The term "Adjusted Treasury Rate" has the meaning ascribed to that term in the Issuer's Preliminary Prospectus Supplement, dated August 7, 2017.

The Issuer and the Support Provider have filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Issuer and the Support Provider have filed with the SEC for more complete information about the Issuer, the Support Provider and this offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, any underwriter participating in the offering will arrange to send you the prospectus if you request it by calling J.P. Morgan Securities LLC collect at (212) 834-4533, U.S. Bancorp Investments, Inc. at 1-877-558-2607, or Wells Fargo Securities, LLC toll-free at (800) 645-3751.

SCHEDULE IV

Significant Subsidiaries of the Company

New Jersey-American Water Company, Inc.
Pennsylvania-American Water Company
Missouri-American Water Company

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Section 3: EX-4.1 (EX-4.1 - OFFICER'S CERTIFICATE - SENIOR NOTES DUE SEPTEMBER 1, 2027)

Exhibit 4.1

AMERICAN WATER CAPITAL CORP.

OFFICERS' CERTIFICATE

AUGUST 10, 2017

2.950% SENIOR NOTES DUE 2027

PURSUANT TO SECTIONS 102 AND 301 OF THE INDENTURE IDENTIFIED BELOW

The undersigned officers of American Water Capital Corp., a Delaware corporation (the "Company"), acting pursuant to an authorization contained in the unanimous written consent, dated August 1, 2017, of the Board of Directors of the Company (the "Board Resolutions"), and Sections 102 and 301 of the Indenture, dated as of December 4, 2009 (the "Indenture", and unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them therein), between the Company and Wells Fargo Bank, National Association, as Trustee, do hereby certify as follows:

1) There is hereby established under the Indenture the following series of debt securities of the Company, and the terms of such series (the "Series") are as follows:

    a) The Series shall be known and designated as the "2.950% Senior Notes due 2027" of the Company (the "Securities");

    b) The terms of the Securities are as set forth in Annex A hereto;

    c) The Securities shall be redeemable at the option of the Company as specified and subject to the limitations set forth in Annex A hereto;

    d) The Securities shall not be entitled to the benefits of any sinking fund or analogous provisions;

    e) The Securities shall be subject to defeasance as specified and subject to the limitations set forth in Annex A hereto;

    f) The Securities will be issued in the form of one or more fully registered Global Securities which are exchangeable from time to time for fully registered certificated securities in accordance with the terms of the Indenture; and

    g) The Company will not pay additional amounts on the Securities held by a non-U.S. person in respect of taxes or similar charges withheld or deducted;

2) The undersigned have read the provisions of the Indenture relating to the authentication and delivery of securities thereunder, including Sections 201, 301 and 303 thereof and the definitions relating thereto;

3) The undersigned have read the Board Resolutions authorizing the issuance of the Securities and the taking of any action by such officers of the Company in connection therewith, and have made such investigation or examination as is necessary, in the opinion of the undersigned, to enable the undersigned to express an informed opinion as to whether the covenants and conditions precedent to the action to be taken by the Trustee in authenticating and delivering Securities under the Indenture have been complied with;

4) In the opinion of the undersigned, such covenants and conditions precedent have been complied with; and

1) The Securities are “Debt” under the Support Agreement, dated June 22, 2000 and amended as of July 26, 2000, between American Water Works Company, Inc. and the Company.

IN WITNESS WHEREOF, we have hereunto signed our names as of the date first written above.

By: /s/ JENNIFER GAMBOL
Name: Jennifer Gambol
Title: Vice President and Treasurer

By: /s/ JEFFREY M. TAYLOR
Name: Jeffrey M. Taylor
Title: Secretary

ANNEX A

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

American Water Capital Corp.
2.950% Senior Notes due 2027

CUSIP No. 03040W AQ8
ISIN No. US03040WAQ87

No R. $_____

American Water Capital Corp., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Five Hundred Million Dollars on September 1, 2027, and to pay interest thereon from August 10, 2017 or from the most recent Interest Payment Date to which interest has been paid or as duly provided for semi-annually on March 1 and September 1, in arrears, commencing March 1, 2018, and on any earlier date of redemption, at the rate of 2.950% per annum, until the principal hereof is paid or made available for payment. Interest on this Security shall be computed assuming a 360-day year consisting of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the close of business on the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the

Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and any such interest on this Security will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts (i) with respect to any Global Security, by wire transfer of immediately available funds to the accounts specified by the Holder of such Global Security or (ii) with respect to any certificated Security, by wire transfer of immediately available funds to the respective accounts specified by the Holders of such certificated Security or, if no such account is specified, by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

AMERICAN WATER CAPITAL CORP.

By _____

TRUSTEE'S CERTIFICATION OF AUTHENTICATION

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
As Trustee

By _____
Authorized Signatory

Dated: _____, 2017

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of December 4, 2009 (herein called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and Wells Fargo Bank, National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

The Company may from time to time, without the consent of the Holders, create and issue Additional Securities, so that each such further issue shall be consolidated and form a single series with the Outstanding Securities of this series.

All or a portion of the Securities of this series may be redeemed at the option of the Company at any time or from time to time. The Redemption Price for the Securities of this series to be redeemed on any Redemption Date prior to June 1, 2027 will be equal to the greater of the following amounts: (a) 100% of the principal amount of the Securities of this series being redeemed on that Redemption Date; or (b) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities of this series being redeemed on that Redemption Date that would be payable if such Securities of this series matured on June 1, 2027 (not including any portion of any payments of interest accrued to that Redemption Date) discounted to that Redemption Date on a semi-annual basis at the Adjusted Treasury Rate (as defined below) plus 12.5 basis points, as determined by the Reference Treasury Dealer (as defined below), plus, in each case, accrued and unpaid interest thereon to that Redemption Date. The Redemption Price for the Securities of this series to be redeemed on any Redemption Date on or after June 1, 2027 will be equal to 100% of the principal amount of the Securities of this series being redeemed on that Redemption Date plus accrued and unpaid interest thereon to that Redemption Date. Notwithstanding the foregoing, installments of interest on the Securities of this series that are due and payable on Interest Payment Dates falling on or prior to a Redemption Date will be payable on the Interest Payment Date to the Holder of such Securities of this series as of the close of business on the relevant Regular Record Date. The Redemption Price will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Calculation of the Redemption Price will be made by the Company or on behalf of the Company by a person designated by the Company; provided that such calculation or the correctness thereof shall not be a duty or obligation of the Trustee.

The Company shall mail notice of any redemption at least 30 days but not more than 60 days before the Redemption Date to each Holder of the Securities of this series to be redeemed, and, if less than all of the Securities of this series are to be redeemed, the particular Securities of this series to be redeemed will be selected by the Trustee on a pro rata basis, by lot or in such manner as the Trustee shall deem appropriate and fair in accordance with DTC procedures. Unless the Company defaults in payment of the Redemption Price, on and after that Redemption Date, interest will cease to accrue on the Securities of this series or portions thereof called for redemption.

"*Adjusted Treasury Rate*" means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Securities of this series to be

redeemed, calculated as if the maturity date of the Securities of this series were June 1, 2027 (the "Remaining Life"), that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life of such Security of this series.

"*Comparable Treasury Price*" means, with respect to any Redemption Date, (A) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (C) if only one Reference Treasury Dealer Quotation is received, such quotation.

"*Reference Treasury Dealer*" means (A) each of J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, or their respective affiliates which are primary U.S. Government securities dealers in the United States (a "Primary Treasury Dealer"), and a Primary Treasury Dealer selected by U.S. Bancorp Investments, Inc., and its successors; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer(s) selected by the Company.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such Redemption Date.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security or certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver

or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

In connection with any proposed transfer of this Security if this Security ceases to be a Global Security, the Company or DTC shall be required to provide or cause to be provided to the Trustee all information that is (i) available to the Company or the DTC, as applicable, (ii) necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and (iii) specifically and timely requested in writing by the Trustee. Any transferor shall also provide or cause to be provided to the Trustee all information that is (i) available to such transferor, (ii) necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045, and (iii) specifically and timely requested by the Trustee. The Trustee may rely on information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as

the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

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Section 4: EX-4.2 (EX-4.2 - OFFICER'S CERTIFICATE - 3.75% SENIOR NOTES DUE SEPTEMBER 1, 2047)

Exhibit 4.2

AMERICAN WATER CAPITAL CORP.

OFFICERS' CERTIFICATE

AUGUST 10, 2017

3.750% SENIOR NOTES DUE 2047

PURSUANT TO SECTIONS 102 AND 301 OF THE INDENTURE IDENTIFIED BELOW

The undersigned officers of American Water Capital Corp., a Delaware corporation (the "Company"), acting pursuant to an authorization contained in the unanimous written consent, dated August 1, 2017, of the Board of Directors of the Company (the "Board Resolutions"), and Sections 102 and 301 of the Indenture, dated as of December 4, 2009 (the "Indenture", and unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them therein), between the Company and Wells Fargo Bank, National Association, as Trustee, do hereby certify as follows:

1) There is hereby established under the Indenture the following series of debt securities of the Company, and the terms of such series (the "Series") are as follows:

    a) The Series shall be known and designated as the "3.750% Senior Notes due 2047" of the Company (the "Securities");

    b) The terms of the Securities are as set forth in Annex A hereto;

    c) The Securities shall be redeemable at the option of the Company as specified and subject to the limitations set forth in Annex A hereto;

    d) The Securities shall not be entitled to the benefits of any sinking fund or analogous provisions;

    e) The Securities shall be subject to defeasance as specified and subject to the limitations set forth in Annex A hereto;

    f) The Securities will be issued in the form of one or more fully registered Global Securities which are exchangeable from time to time for fully registered certificated securities in accordance with the terms of the Indenture; and

    g) The Company will not pay additional amounts on the Securities held by a non-U.S. person in respect of taxes or similar charges withheld or deducted;

2) The undersigned have read the provisions of the Indenture relating to the authentication and delivery of securities thereunder, including Sections 201, 301 and 303 thereof and the definitions relating thereto;

3) The undersigned have read the Board Resolutions authorizing the issuance of the Securities and the taking of any action by such officers of the Company in connection therewith, and have made such investigation or examination as is necessary, in the opinion of the undersigned, to enable the undersigned to express an informed opinion as to whether the covenants and conditions precedent to the action to be taken by the Trustee in authenticating and delivering Securities under the Indenture have been complied with;

4) In the opinion of the undersigned, such covenants and conditions precedent have been complied with; and

5) The Securities are “Debt” under the Support Agreement, dated June 22, 2000 and amended as of July 26, 2000, between American Water Works Company, Inc. and the Company.

IN WITNESS WHEREOF, we have hereunto signed our names as of the date first written above.

By: /s/ JENNIFER GAMBOL
Name: Jennifer Gambol
Title: Vice President and Treasurer

By: /s/ JEFFREY M. TAYLOR
Name: Jeffrey M. Taylor
Title: Secretary

ANNEX A

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

American Water Capital Corp.
3.750% Senior Notes due 2047

CUSIP No. 03040W AR6
ISIN No. US03040WAR60

No R. $_____

American Water Capital Corp., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of _Five Hundred Million Dollars on September 1, 2047, and to pay interest thereon from August 10, 2017 or from the most recent Interest Payment Date to which interest has been paid or as duly provided for semi-annually on March 1 and September 1, in arrears, commencing March 1, 2018, and on any earlier date of redemption, at the rate of 3.750% per annum, until the principal hereof is paid or made available for payment. Interest on this Security shall be computed assuming a 360-day year consisting of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the close of business on the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the

Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and any such interest on this Security will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts (i) with respect to any Global Security, by wire transfer of immediately available funds to the accounts specified by the Holder of such Global Security or (ii) with respect to any certificated Security, by wire transfer of immediately available funds to the respective accounts specified by the Holders of such certificated Security or, if no such account is specified, by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

AMERICAN WATER CAPITAL CORP.

By _____

TRUSTEE'S CERTIFICATION OF AUTHENTICATION

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
As Trustee

By _____
Authorized Signatory

Dated: _____, 2017

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of December 4, 2009 (herein called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and Wells Fargo Bank, National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

The Company may from time to time, without the consent of the Holders, create and issue Additional Securities, so that each such further issue shall be consolidated and form a single series with the Outstanding Securities of this series.

All or a portion of the Securities of this series may be redeemed at the option of the Company at any time or from time to time. The Redemption Price for the Securities of this series to be redeemed on any Redemption Date prior to March 1, 2047 will be equal to the greater of the following amounts: (a) 100% of the principal amount of the Securities of this series being redeemed on that Redemption Date; or (b) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities of this series being redeemed on that Redemption Date that would be payable if such Securities of this series matured on March 1, 2047 (not including any portion of any payments of interest accrued to that Redemption Date) discounted to that Redemption Date on a semi-annual basis at the Adjusted Treasury Rate (as defined below) plus 15 basis points, as determined by the Reference Treasury Dealer (as defined below), plus, in each case, accrued and unpaid interest thereon to that Redemption Date. The Redemption Price for the Securities of this series to be redeemed on any Redemption Date on or after March 1, 2047 will be equal to 100% of the principal amount of the Securities of this series being redeemed on that Redemption Date plus accrued and unpaid interest thereon to that Redemption Date. Notwithstanding the foregoing, installments of interest on the Securities of this series that are due and payable on Interest Payment Dates falling on or prior to a Redemption Date will be payable on the Interest Payment Date to the Holder of such Securities of this series as of the close of business on the relevant Regular Record Date. The Redemption Price will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Calculation of the Redemption Price will be made by the Company or on behalf of the Company by a person designated by the Company; provided that such calculation or the correctness thereof shall not be a duty or obligation of the Trustee.

The Company shall mail notice of any redemption at least 30 days but not more than 60 days before the Redemption Date to each Holder of the Securities of this series to be redeemed, and, if less than all of the Securities of this series are to be redeemed, the particular Securities of this series to be redeemed will be selected by the Trustee on a pro rata basis, by lot or in such manner as the Trustee shall deem appropriate and fair in accordance with DTC procedures. Unless the Company defaults in payment of the Redemption Price, on and after that Redemption Date, interest will cease to accrue on the Securities of this series or portions thereof called for redemption.

"*Adjusted Treasury Rate*" means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Securities of this series to be

redeemed, calculated as if the maturity date of the Securities of this series were March 1, 2047 (the "Remaining Life"), that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life of such Security of this series.

"*Comparable Treasury Price*" means, with respect to any Redemption Date, (A) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (C) if only one Reference Treasury Dealer Quotation is received, such quotation.

"*Reference Treasury Dealer*" means (A) each of J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, or their respective affiliates which are primary U.S. Government securities dealers in the United States (a "Primary Treasury Dealer"), and a Primary Treasury Dealer selected by U.S. Bancorp Investments, Inc., and its successors; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer(s) selected by the Company.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such Redemption Date.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security or certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver

or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

In connection with any proposed transfer of this Security if this Security ceases to be a Global Security, the Company or DTC shall be required to provide or cause to be provided to the Trustee all information that is (i) available to the Company or the DTC, as applicable, (ii) necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and (iii) specifically and timely requested in writing by the Trustee. Any transferor shall also provide or cause to be provided to the Trustee all information that is (i) available to such transferor, (ii) necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045, and (iii) specifically and timely requested by the Trustee. The Trustee may rely on information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as

the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

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Section 5: EX-5.1 (EX-5.1 - OPINION OF MORGAN, LEWIS & BOCKIUS LLP)

Exhibit 5.1

Morgan Lewis

August 10, 2017

American Water Works Company, Inc.
American Water Capital Corp.
1025 Laurel Oak Road
Voorhees, New Jersey 08043

Ladies and Gentlemen:

We have acted as counsel to American Water Works Company, Inc., a Delaware corporation ("AWW"), and American Water Capital Corp., a Delaware corporation (the "Company"), in connection with the issuance by the Company of $600,000,000 aggregate principal amount of its 2.950% Senior Notes due 2027 and $750,000,000 aggregate principal amount of its 3.750% Senior Notes due 2047 (together, the "Notes"), issued under the Indenture, dated as of December 4, 2009 (the "Indenture"), between the Company and Wells Fargo Bank, National Association, as trustee (the "Trustee"), which Notes have the benefit of the Support Agreement, dated June 22, 2000, as amended July 26, 2000, between the Company and AWW (the "Support Agreement").

We have participated in the preparation of or reviewed (1) the Registration Statement on Form S-3 (Registration Nos. 333-203949 and 333-203949-01) (the "Registration Statement"), which Registration Statement was filed jointly by the Company and AWW with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"); (2) the prospectus dated May 7, 2015 (the "Base Prospectus"), forming a part of the Registration Statement, as supplemented by a prospectus supplement dated August 7, 2017 (the "Prospectus Supplement") relating to the Notes, both such prospectus and prospectus supplement filed pursuant to Rule 424(b) under the Securities Act; (3) the Indenture; (4) the Support Agreement; (5) the certificate of incorporation of the Company; (6) the by-laws, as amended, of the Company; (7) the restated certificate of incorporation of AWW; (8) the amended and restated bylaws of AWW; and (9) such other corporate records, certificates and other documents (including a receipt executed on behalf of the Company acknowledging receipt of the purchase price for the Notes) and such questions of law as we have considered necessary or appropriate for the purposes of this opinion.

Based on the foregoing, we are of the opinion that the Notes and the Support Agreement, as it relates to the Notes, are valid, and binding obligations of the Company and AWW, respectively, except as may be limited or affected by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance or other similar laws affecting creditors' rights and remedies generally and general principles of equity.

Morgan, Lewis & Bockius LLP

101 Park Avenue
New York, NY 10178-0060
+1.215.309.6000
United States

+1.215.309.6001

In rendering the foregoing opinion, we have assumed that the certificates representing the Notes conform to specimens examined by us and that the Notes have been duly authenticated, in accordance with the Indenture, by the Trustee under the Indenture and that the signatures on all documents examined by us are genuine, assumptions which we have not independently verified.

We hereby consent to the reference to us under the heading "Legal Matters" in each of the Base Prospectus and the Prospectus Supplement, to the references to us in the Registration Statement, including under the heading "Legal Matters" in the Base Prospectus, and to the filing of this opinion as an exhibit to AWW's Current Report on Form 8-K to be filed on or about the date hereof, which will be incorporated by reference in the Registration Statement. In giving the foregoing consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

This opinion is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the federal laws of the United States insofar as they bear on matters covered hereby.

Very truly yours,

/s/ Morgan, Lewis & Bockius LLP

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Section 1: 8-K (8-K - PRELIMINARY APPROVAL OF SETTLEMENT AGREEMENT)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 19, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01. Other Matters.

Settlement of Litigation with General Liability Insurance Carrier

As previously disclosed, in October 2016, West Virginia-American Water Company ("WVAWC"), a wholly owned subsidiary of American Water Works Company, Inc. (the "Company"), American Water Works Service Company, Inc. ("AWWSC"), a wholly owned subsidiary of the Company, and the Company (collectively, the "American Water Defendants"), entered into a binding agreement in principle to settle claims (the "Settlement") by all putative class members (collectively, the "Plaintiffs") for all claims and potential claims against the American Water Defendants arising out of the January 9, 2014 Freedom Industries, Inc. chemical spill into the Elk River in West Virginia. Two of the Company's insurance carriers, which provide an aggregate of $50 million in insurance coverage to the Company under its general liability policies, had been originally requested, but at the time of the initial filing of the binding agreement in principle with the court in October 2016, had not agreed, to participate in the Settlement.

In this regard, WVAWC filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constituted a breach of contract. On September 19, 2017, the Company and the insurance carrier settled this lawsuit for $22 million, out of a maximum of $25 million in potential coverage under the terms of the relevant policy, in exchange for a full release by the Company and WVAWC of all claims against the insurance carrier related to the Freedom Industries chemical spill. This settlement with the insurance carrier reduced the total amount of WVAWC's potential contributions to the Settlement from $65 million to $43 million. WVAWC will record an additional insurance receivable of $22 million, which the Company anticipates will result in an after-tax benefit of approximately $13 million in the third quarter of 2017.

The Company and WVAWC continue to vigorously pursue their rights to insurance coverage in mandatory arbitration from the remaining non-participating carrier for any contributions by WVAWC to the Settlement. Despite these efforts, the Company may not ultimately be successful in obtaining further reimbursement under the remaining insurance policy for amounts that WVAWC may be required to contribute to the Settlement.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the ability to obtain full or further reimbursement from the remaining non-participating insurance carrier for amounts that may be paid by WVAWC in the Settlement, and the impact of these matters in future periods on the Company's consolidated financial statements. These forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company's Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission (the "SEC") on February 21, 2017, and other filings with the SEC, and the additional risks and uncertainties described herein.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company's annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's or WVAWC's business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: September 19, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 1: 8-K (FORM 8-K - PRELIMINARY SETTLEMENT APPROVAL)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 21, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01. Other Matters.

Preliminary Approval of Settlement of West Virginia Freedom Industries, Inc. Chemical Spill Claims

On September 21, 2017, the U.S. District Court for the Southern District of West Virginia granted preliminary approval of a settlement class and proposed class action settlement (the "Settlement") with respect to claims against West Virginia-American Water Company ("WVAWC"), a wholly owned subsidiary of American Water Works Company, Inc. (the "Company"), American Water Works Service Company, Inc. ("AWWSC"), a wholly owned subsidiary of the Company, and the Company (collectively, the "American Water Defendants"), by all putative class members (collectively, the "Plaintiffs") for all claims and potential claims arising out of the January 9, 2014 Freedom Industries, Inc. chemical spill into the Elk River in West Virginia. Preliminary approval was granted after the parties to the Settlement filed with the court a proposed amended settlement agreement and related materials on August 25, 2017 addressing the matters set forth in the court's July 6, 2017 order denying without prejudice the joint motion for preliminary approval of the Settlement. The economic terms contained in the proposed amended settlement agreement are materially similar to those included in the binding global agreement in principle to settle claims originally approved by the court in October 2016 and previously disclosed in the Company's Form 10-K for the year ended December 31, 2016 (the "2016 Form 10-K"), as filed with the Securities and Exchange Commission (the "SEC") on February 21, 2017.

The terms of the Settlement propose a global resolution of all federal and state litigation and potential claims against the American Water Defendants and their insurers. Under federal class action rules, a claimant may elect to opt out of the final Settlement, in which case such claimant will not receive any benefit from or be bound by the terms of the Settlement. The American Water Defendants would have the right to withdraw from the Settlement if more than a certain number of putative class members opt out of the Settlement. Under the terms and conditions of the Settlement and the amended settlement agreement, the American Water Defendants have not admitted, and will not admit, any fault or liability for any of the allegations made by the Plaintiffs in any of the actions to be resolved.

The proposed aggregate pre-tax amount of the Settlement with respect to the Company remains at $126 million. However, the aggregate portion of the Settlement to be contributed by WVAWC, net of insurance recoveries, has been reduced from $65 million to $43 million (approximately $26 million after-tax) due to the recent settlement with one of the Company's general liability insurance carriers. This reduction will apply to WVAWC's contributions to the guaranteed fund. The contribution by another defendant to the Settlement remains at $25 million. If any final approval order by the court with respect to the Settlement is appealed and such appeal would delay potential payment to claimants under the Settlement, WVAWC and the other defendant to the Settlement will contribute up to $50 million and $25 million, respectively, to the Settlement (not including, in the case of WVAWC, any contributions by the Company's general liability insurance carriers which would not be made until such time as a final, non-appealable order is issued) into an escrow account during the pendency of such appeals. For certain claims, WVAWC and the other defendant to the Settlement may, in lieu of these escrowed contributions, make advance payments of such claims if agreed to by the parties. All administrative expenses of the Settlement and attorneys' fees of class counsel related thereto would be paid from the funds designated to pay claims covered by the Settlement.

Notice of the terms of the Settlement will be provided to members of the settlement class within 21 days of the court's preliminary approval order. Following the notice period, the court will hold a fairness hearing to consider final approval of the Settlement. There can be no assurance that the Settlement will not be amended further or that the court will provide its final approval as to any agreement negotiated between the parties reflecting the terms of the Settlement.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the ability to obtain final approval from the court as to the terms of the Settlement or any agreement negotiated between the parties reflecting the terms of the Settlement, the ultimate terms and conditions of the Settlement, the ability to obtain full or further reimbursement from the remaining non-participating insurance carrier for amounts that may be paid by WVAWC in the Settlement, the number of claimants who may elect to opt out of the Settlement, and the impact of the Settlement in future periods on the Company's consolidated financial statements. These forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the 2016 Form 10-K and other filings with the SEC, and the additional risks and uncertainties described herein.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company's annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's or WVAWC's business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: September 22, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 1: 8-K (FORM 8-K - PROPOSED PENNSYLVANIA RATE CASE SETTLEMENT)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 16, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01. Other Events.

Proposed Settlement Agreement in Pennsylvania-American Water Company General Rate Case

On April 28, 2017, Pennsylvania-American Water Company ("PAWC"), a wholly owned subsidiary of American Water Works Company, Inc. (the "Company"), filed a general rate case with the Pennsylvania Public Utility Commission (the "PaPUC") requesting $108 million in additional annualized water and wastewater revenues. On October 16, 2017, PAWC and the other parties to the proceeding entered into a proposed settlement agreement to provide PAWC with additional annualized water and wastewater revenues of $62 million. To take effect, the proposed settlement agreement must be approved by the PaPUC after a public hearing and initial decision by the administrative law judges assigned to the case by the PaPUC. The parties to the proceeding have agreed to use their best efforts to obtain PaPUC approval of the settlement agreement on or before December 7, 2017, and the implementation of the new water and wastewater rates on January 1, 2018.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "anticipate," "propose," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's and PAWC's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission (the "SEC") on February 21, 2017, and other filings with the SEC, and additional risks and uncertainties, including with respect to the approval by the PaPUC of the proposed settlement agreement described above; the occurrence of anticipated benefits to PAWC if the proposed settlement agreement is approved by the PaPUC; unexpected costs, liabilities or delays associated with the approval of the proposed settlement agreement or the resolution of PAWC's general rate case; regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect PAWC and the Company; and other economic, political, business and other factors.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company's annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's or PAWC's business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: October 16, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 1, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On November 1, 2017, the Company issued a press release announcing its financial results for the third quarter ended September 30, 2017. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit	Description
99.1	Press Release, dated November 1, 2017, issued by American Water Works Company, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: November 1, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1 - EARNINGS PRESS RELEASE DATED NOVEMBER 1, 2017)

Exhibit 99.1

November 1, 2017

Edward Vallejo
Vice President, Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and Federal Affairs
856-309-4546
maureen.duffy@amwater.com

AMERICAN WATER REPORTS THIRD QUARTER 2017 RESULTS

- **Third quarter 2017 diluted earnings per share (GAAP) was $1.13 compared to $0.83 in the third quarter of 2016**
- **Third quarter 2017 adjusted diluted earnings per share was $1.08 compared to third quarter 2016's $1.05 (non-GAAP measures).**
- **The Regulated Businesses continued to deliver solid results and the Market-based Businesses experienced growth mainly in Homeowner Services**
- **Company narrows 2017 earnings guidance range**

VOORHEES, N.J., Nov 1, 2017 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter and nine months ended Sept 30, 2017.

"American Water and our employees delivered solid third quarter earnings that reflect our commitment to provide excellent service to our customers," said Susan Story, President and CEO of American Water. "Year to date, we have made more than $1 billion in infrastructure

investments and welcomed 26,400 new customers through closed acquisitions and organic growth. We also look forward to welcoming an additional 45,000 customers through pending acquisitions.

"We are especially proud this quarter of completing our largest debt financing since American Water's IPO, largely for the benefit of our regulated customers, as well as winning a new military services contract with Wright-Patterson Air Force Base in Ohio. We are honored to be the chosen partner to work with these honorable servicemen and women and their families.

"The successful execution of our strategies has driven our financial performance for the quarter and year to date. As a result, we have narrowed our GAAP earnings guidance to $3.05 - $3.11 per share and adjusted (non-GAAP) earnings guidance to $3.00 - $3.06 per share." added Story.

Consolidated Results

The company's three and nine months ended results are included in the table below.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Diluted earnings per share (GAAP):				
Net income attributable to common stockholders	$ 1.13	$ 0.83	$ 2.39	$ 2.05
Non-GAAP adjustments:				
Impact of Freedom Industries settlement activities	(0.12)	0.36	(0.12)	0.36
Income tax impact	0.05	(0.14)	0.05	(0.14)
Net non-GAAP adjustment	(0.07)	0.22	(0.07)	0.22
Early debt extinguishment at the parent company	0.03	—	0.03	—
Income tax impact	(0.01)	—	(0.01)	—
Net non-GAAP adjustment	0.02	—	0.02	—
Total net non-GAAP adjustments	(0.05)	0.22	(0.05)	0.22
Adjusted diluted earnings per share (non-GAAP)	$ 1.08	$ 1.05	$ 2.34	$ 2.27

In the third quarter of 2017, GAAP income increased $0.30 per diluted share compared to the prior year. 2017 GAAP earnings included a $0.07 per diluted share benefit from an insurance settlement related to the Freedom Industries chemical spill and a $0.02 per diluted share charge from early debt extinguishment at the parent company. Included in the 2016 GAAP earnings was a $0.22 per diluted share charge from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill.

Excluding these adjustments, adjusted earnings were $1.08 per diluted share (a non-GAAP measure) for the third quarter 2017, an increase of $0.03 per diluted share, or 2.9 percent, over the same period in 2016. This increase was primarily associated with continued growth in the Regulated Businesses driven mainly by infrastructure investment, acquisitions and organic growth, combined with growth in the Market-based Businesses mainly from the Homeowner Services Group. These increases were partially offset by warmer weather in the third quarter of 2016 and a discrete tax adjustment recorded at the parent company associated with an increase in Illinois' state income tax rate impacting state tax apportionment.

For the nine months ended Sept 30, 2017, GAAP income increased $0.34 per diluted share compared to the prior year. 2017 GAAP earnings included a $0.07 per diluted share benefit from an insurance settlement related to the Freedom Industries chemical spill and a $0.02 per diluted share charge from early debt extinguishment at the parent company. Included in the 2016 GAAP earnings was a $0.22 per diluted share charge from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill.

Excluding these adjustments, adjusted earnings were $2.34 per diluted share for the nine months ended Sept 30, 2017, an increase of $0.07 per diluted share, or 3.1 percent, over the same period in 2016. This increase was primarily associated with continued growth in the Regulated Businesses driven mainly by infrastructure investment, acquisitions and organic growth, combined with growth in the Market-based Businesses mainly from the Homeowner Services Group. These increases were partially offset by warmer weather in 2016 and two discrete tax adjustments recorded at the parent company associated with legislative changes in New York and Illinois impacting state tax apportionment.

For the first nine months of 2017, the company made capital investments of approximately $1.0 billion, including $963 million dedicated primarily to improving infrastructure in the Regulated Businesses, and $43 million for regulated acquisitions. American Water plans to invest approximately $1.65 billion across its footprint in 2017, with the majority of these investments dedicated to providing safe, clean and reliable service to its customers.

Regulated Businesses

In the third quarter of 2017, GAAP net income in the Regulated Businesses was $212 million, compared to $152 million for the same period in 2016. Included in the 2017 GAAP net income was the after-tax benefit of $13 million from the insurance settlement related to the Freedom Industries chemical spill. Included in the 2016 GAAP net income was the after-tax charge of $39 million from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill.

Excluding these adjustments, adjusted net income increased $8 million from the third quarter of 2017 to the same period in 2016. Regulated revenue increased $16 million driven by a $32 million increase from additional authorized revenue and surcharges to support infrastructure investments, acquisitions, and organic growth; partially offset by a $19 million decrease in lower demand of which $7 million is related to warmer weather during the third quarter of 2016. This increase was partially offset by higher net depreciation, interest, and general taxes of $8 million associated with infrastructure investment growth. Also, O&M expense remained relatively flat due to the continued focus on cost management.

For the nine months ended Sept 30, 2017, GAAP net income in the Regulated Businesses was $446 million, compared to $374 million for the same period in 2016. Included in the 2017 GAAP net income was the after-tax benefit of $13 million from the insurance settlement related to the Freedom Industries chemical spill. Included in the 2016 GAAP net income was the after-tax charge of $39 million from the binding global agreement in principle to settle claims associated with the Freedom Industries chemical spill.

Excluding these adjustments, adjusted net income increased $20 million from the first nine months of 2017 to the same period in 2016. Regulated revenue increased $71 million driven by a $104 million increase from additional authorized revenue and surcharges to support infrastructure investments, wastewater services, acquisitions, and organic growth; partially offset by a $36 million decrease in lower demand of which $12 million is related to warmer weather during the third quarter of 2016. This increase was partially offset by higher net depreciation and interest of $38 million associated with infrastructure investment growth. Also, O&M expense remained relatively flat due to the continued focus on cost management.

For the nine months ended Sept 30, 2017, the company received additional annualized revenues of approximately $43 million from general rate cases and step increases and approximately $23 million in additional annualized revenues from infrastructure surcharges. The company is awaiting final orders for general rate cases in three states, filed for infrastructure surcharges in three, and two proposed settlements for a total annualized revenue request of approximately $321 million. This includes the Pennsylvania rate case proposed settlement of $62 million, subject to approvals. The extent to which requested rate increases will be granted by the applicable regulatory agencies will vary.

For the 12-month period ended Sept 30, 2017, the adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) improved to 34.2 percent, compared to 34.9 percent for the 12-month period ended Sept 30, 2016. By reducing O&M expense as a proportion of revenue, American Water is able to make investments in needed capital improvements without significantly impacting customer bills.

Market-based Businesses

In the third quarter of 2017, net income in the Market-based Businesses was $14 million, compared to $7 million for the same period in 2016. The increase was primarily driven by growth in the Homeowner Services Group through customer growth and price increases for certain customers.

For the nine months ended Sept 30, 2017, net income in the Market-based Businesses was $29 million, compared to $26 million for the same period in 2016. The increase was driven by growth in the Homeowner Services Group through customer growth and price increases for certain customers partially offset by lower capital projects in the Military Services Group from lower military budgets and completion of a project at Fort Polk mid-year 2016.

Dividends

On Oct 31, 2017, American Water's board of directors declared a quarterly cash dividend payment of $0.415 per share of common stock, payable on Dec 1, 2017, to all stockholders of record as of Nov 10, 2017.

2017 Earnings Guidance

American Water has narrowed its 2017 earnings guidance to a GAAP range of $3.05 - $3.11 per diluted share and a adjusted (non-GAAP) range of $3.00 - $3.06 per diluted share. The adjusted range excludes a $0.07 per diluted share benefit from the insurance settlement related to the Freedom Industries chemical spill and a $0.02 per diluted share charge from early extinguishment of debt at the parent company. The company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual and quarterly reports filed with the Securities and Exchange Commission ("SEC").

Non-GAAP Financial Measures

This press release includes presentations of adjusted net income, as well as adjusted earnings per diluted share both as historical financial information and as earnings guidance ("Adjusted EPS"). These items constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. Adjusted net income and Adjusted EPS is defined as GAAP diluted net income and earnings per diluted common share, respectively, excluding (1) the impact in the third quarter of 2017 of the insurance settlement related to the Freedom Industries chemical spill, (2) the early extinguishment of debt at the parent company in the third quarter of 2017, and (3) the impact in the third quarter of 2016 of the binding global agreement in principle to settle claims related to the Freedom Industries chemical spill. These non-GAAP financial measures supplement the company's GAAP disclosures and should not be considered an alternative to the GAAP measure.

Management believes that the presentation of these non-GAAP financial measures are useful to American Water's investors because they provide an indication of its baseline performance excluding items that are not considered by management to be reflective of ongoing operating results. Although management uses these non-GAAP financial measures internally to evaluate American Water's results of operations, management does not intend results excluding the adjustments to represent results as defined by GAAP, and the reader should not consider them as indicators of performance. These items are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. The company's definition of adjusted net income or Adjusted EPS may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use.

Set forth in this release is a table that reconciles adjusted net income, as well as Adjusted EPS, both for historical and guidance purposes, to the most directly comparable GAAP financial measure.

This press release also includes a presentation of adjusted regulated O&M efficiency ratio, which excludes from its calculation estimated purchased water revenues and purchased water expenses, the impact of certain activities related to the Freedom Industries chemical spill, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. This item constitutes a "non-GAAP financial measure" under SEC rules. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the company's GAAP disclosures and should not be considered an alternative to any GAAP measure.

Management believes that the presentation of this measure is useful to investors because it provides a means of evaluating the company's operating performance without giving effect to items that are not reflective of management's ability to increase efficiency of the company's regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical performance, management relies, in part, on trends in the company's historical results, exclusive of estimated revenues and expenses related to purchased water, the impact of settlement activities related to the Freedom Industries chemical spill and the allocable portion of non-O&M support services costs. The company's definition of this metric may not be comparable to the same or similar measures used by other companies, and, accordingly, this non-GAAP financial measure may have significant limitations on its use.

Set forth in this release is a table that reconciles each of the components used to calculate adjusted regulated O&M efficiency ratio to the most directly comparable GAAP financial measure.

Third Quarter 2017 Earnings Conference Call

The third quarter 2017 earnings conference call will take place on Thursday, Nov 2, 2017, at 9 a.m. Eastern Daylight Time. Interested parties may listen to the conference call over the Internet by logging on to the Investor Relations page of the company's website at https://amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online. The company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, an audio archive of the call will be available through Nov 9, 2017. U.S. callers may access the audio archive toll-free by dialing 1-877-344-7529. International callers may listen by dialing 1-412-317-0088. The access code for replay is 10113687. The online webcast will be available at American Water's investor relations homepage at http://ir.amwater.com through December 9, 2017. After that, the archived webcast will be available for one year at http://ir.amwater.com.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,800 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting amwater.com.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2017 earnings guidance, projected long-term earnings growth, the outcome of pending acquisition activity and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2016, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, and other decisions; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; potential costs and liabilities of American Water for environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, water management solutions focused on customers in the natural gas exploration and production market; the outcome of litigation and similar government actions, including matters related to the Freedom Industries chemical spill in West Virginia, and the preliminarily approved global class action settlement related to this chemical spill; weather conditions, and events, climate change patterns, and natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its operational and information technology ("IT") systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers; exposure or infiltration of its critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber-attacks or other disruptions; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with, or otherwise obtain, new customers in its Market-based Businesses; cost overruns relating to improvements in or the expansion of its operations; its ability to maintain safe work sites; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or funding requirements or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income, general and other tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence

of impairment charges related to American Water's goodwill or other assets; civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new accounting standards or changes to existing standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations (Unaudited)

(In millions, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating revenues	$ 936	$ 930	$ 2,536	$ 2,500
Operating expenses:				
Operation and maintenance	324	432	1,010	1,131
Depreciation and amortization	128	119	378	350
General taxes	61	65	192	195
Gain on asset dispositions and purchases	(7)	(5)	(9)	(8)
Total operating expenses, net	506	611	1,571	1,668
Operating income	430	319	965	832
Other income (expense):				
Interest, net	(89)	(81)	(259)	(242)
Loss on early extinguishment of debt	(6)	—	(6)	—
Other, net	5	5	11	14
Total other income (expense)	(90)	(76)	(254)	(228)
Income before income taxes	340	243	711	604
Provision for income taxes	137	95	284	237
Net income attributable to common stockholders	$ 203	$ 148	$ 427	$ 367
Basic earnings per share: (a)				
Net income attributable to common stockholders	$ 1.14	$ 0.83	$ 2.39	$ 2.06
Diluted earnings per share:				
Net income attributable to common stockholders	$ 1.13	$ 0.83	$ 2.39	$ 2.05
Weighted-average common shares outstanding:				
Basic	178	178	178	178
Diluted	179	178	179	179
Dividends declared per common share	$ 0.415	$ 0.375	$ 0.830	$ 0.75

(a) Amounts may not calculate due to rounding.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

	September 30, 2017	December 31, 2016
ASSETS		
Property, plant and equipment	$ 20,946	$ 19,954
Accumulated depreciation	(5,265)	(4,962)
Property, plant and equipment, net	15,681	14,992
Current assets:		
Cash and cash equivalents	93	75
Restricted funds	28	20
Accounts receivable, net	312	269
Unbilled revenues	234	263
Materials and supplies	42	39
Other	151	118
Total current assets	860	784
Regulatory and other long-term assets:		
Regulatory assets	1,374	1,289
Goodwill	1,373	1,345
Other	73	72
Total regulatory and other long-term assets	2,820	2,706
TOTAL ASSETS	$ 19,361	$ 18,482

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

	September 30, 2017	December 31, 2016
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value, 500,000,000 shares authorized, 182,437,980 and 181,798,555 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,423	6,388
Accumulated deficit	(573)	(873)
Accumulated other comprehensive loss	(87)	(86)
Treasury stock, at cost (4,064,010 and 3,701,867 shares, respectively)	(247)	(213)
Total common stockholders' equity	5,518	5,218
Long-term debt	6,672	5,749
Redeemable preferred stock at redemption value	9	10
Total long-term debt	6,681	5,759
Total capitalization	12,199	10,977
Current liabilities:		
Short-term debt	103	849
Current portion of long-term debt	687	574
Accounts payable	144	154
Accrued liabilities	498	609
Taxes accrued	61	31
Interest accrued	103	63
Other	151	112
Total current liabilities	1,747	2,392
Regulatory and other long-term liabilities:		
Advances for construction	279	300
Deferred income taxes, net	2,862	2,596
Deferred investment tax credits	23	23
Regulatory liabilities	408	403
Accrued pension expense	421	419
Accrued postretirement benefit expense	84	87
Other	74	67
Total regulatory and other long-term liabilities	4,151	3,895
Contributions in aid of construction	1,264	1,218
Commitments and contingencies		
TOTAL CAPITALIZATION AND LIABILITIES	$ 19,361	$ 18,482

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)
In millions

	For the twelve months ended September 30,	
(In millions)	**2017**	**2016**
Total operation and maintenance expenses	$ 1,383	$ 1,511
Less:		
Operation and maintenance expenses—Market-Based Businesses	334	391
Operation and maintenance expenses—Other	(46)	(42)
Total operation and maintenance expenses—Regulated Businesses	1,095	1,162
Less:		
Regulated purchased water expenses	124	120
Allocation of non-operation and maintenance expenses	29	29
Impact of Freedom Industries settlement activities (a)	(22)	65
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 964	$ 948
Total operating revenues	$ 3,338	$ 3,283
Less:		
Operating revenues—Market-Based Businesses	419	464
Operating revenues—Other	(23)	(17)
Total regulated operating revenues—Regulated Businesses	2,942	2,836
Less:		
Regulated purchased water revenues (b)	124	120
Adjusted operating revenues—Regulated Businesses (ii)	$ 2,818	$ 2,716
Adjusted operation and maintenance efficiency ratio—Regulated Businesses (i) / (ii)	34.2%	34.9%

(a) Includes binding agreement in principle in 2016 and settlement with general liability insurance carrier in 2017.

(b) Calculation assumes purchased water revenues approximate purchased water expenses.

American Water Works Company, Inc. and Subsidiary Companies
Narrowed Adjusted Earnings Guidance Range (A Non-GAAP, unaudited measure)

	2017	
	Low End	High End
Narrowed Earnings Guidance Range (GAAP)	$ 3.05	$ 3.11
Non-GAAP Adjustments:		
Impact of Freedom Industries settlement activities	(0.12)	(0.12)
Income tax impact	0.05	0.05
Net non-GAAP adjustment	(0.07)	(0.07)
Early debt extinguishment at the parent company	0.03	0.03
Income tax impact	(0.01)	(0.01)
Net non-GAAP adjustment	0.02	0.02
Income tax impacts of non-GAAP adjustments	(0.05)	(0.05)
Narrowed Adjusted Earnings Guidance Range (non-GAAP)	$ 3.00	$ 3.06

American Water Works Company, Inc. and Subsidiary Companies
Regulated Businesses Adjusted Net Income Reconciliation (A Non-GAAP, unaudited measure)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (GAAP)	$ 212	$ 152	$ 446	$ 374
Non-GAAP adjustment:				
Impact of Freedom Industries settlement activities	(22)	65	(22)	65
Income tax impact	9	(26)	9	(26)
Net non-GAAP adjustment	(13)	39	(13)	39
Adjusted net income (non-GAAP)	$ 199	$ 191	$ 433	$ 413

Section 1: 8-K (PAWC 2017 RATE CASE APPROVAL)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 7, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with

any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01. Other Events.

Order of Pennsylvania Public Utility Commission Approving Settlement Agreement in Pennsylvania-American Water Company General Rate Case

On December 7, 2017, the Pennsylvania Public Utility Commission (the "PaPUC") issued an order unanimously approving a settlement agreement entered into by the parties thereto with respect to a general rate case filed on April 28, 2017 by Pennsylvania-American Water Company ("PAWC"), a wholly owned subsidiary of American Water Works Company, Inc. Under the terms of the PaPUC's order, consistent with the approved settlement agreement, PAWC will receive additional annualized water and wastewater revenues of $62 million. The PaPUC order authorizes implementation of the new water and wastewater rates on January 1, 2018.

Item 9.01 Exhibits.

The following exhibits have been filed herewith:

Exhibit Number	Exhibit Description
99.1	Press Release of PAWC issued December 7, 2017.
99.2	Rate Case Fact Sheet.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 7, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1 - PAWC PRESS RELEASE)

Exhibit 99.1

FOR IMMEDIATE RELEASE

CONTACT: Central/Eastern Pennsylvania: Terry M. Maenza
T: 610.670.7789 ext. 1009
M: 610.849.6484
terry.maenza@amwater.com

Western Pennsylvania: Gary Lobaugh
M: 724.944.5148
gary.lobaugh@amwater.com

SETTLEMENT UNANIMOUSLY APPROVED IN PENNSYLVANIA AMERICAN WATER RATE CASE

HERSHEY, Pa. (December 7, 2017) -The Pennsylvania Public Utility Commission (PUC) today unanimously approved a settlement that allows Pennsylvania American Water to raise water and wastewater rates, effective January 1, 2018. The primary factor behind the rate increase is the approximately $1.26 billion of investments to replace and upgrade aging infrastructure since its last rate case in 2013.

“We are pleased the commission has approved this fair and reasonable settlement, which balances our customers’ interests with the much-needed investments we make to ensure reliable, quality service,” said Pennsylvania American Water President Jeffrey McIntyre. “We appreciate the diligence and cooperation of the PUC Bureau of Investigation and Enforcement, Office of Consumer Advocate, Office of Small Business Advocate and other intervenors who made it possible to reach this settlement.”

McIntyre said the approximately $1.26 billion in improvements for treatment plants, storage tanks, wells and pumping stations reflect a commitment to protect public health in the more than 400 communities served by Pennsylvania American Water. The investments also include replacing nearly 450 miles of aging pipe, as well as valves, service lines, hydrants and other parts of the company’s nearly 10,700-mile network of water and sewer lines.

The typical monthly residential water bill for Pennsylvania American Water customers using 3,630 gallons will increase by $5.22 per month, from $55.63 to $60.85. When the new rates take effect January 1, it will be the company’s first base rate increase in four years.

With the approved rate increase, the average family will receive a day's worth of water for cooking, bathing, cleaning, drinking and all other purposes for around $2.00. "We believe the clean, safe and reliable service we are providing for communities remains a remarkable value," said McIntyre.

The settlement approved by the PUC includes adjustments to wastewater rates for customers served by the company's 16 wastewater systems. The changes affect Pennsylvania American Water's approximately 55,000 wastewater customers in Adams, Beaver, Chester, Clarion, Cumberland, Lackawanna, Monroe, Northumberland, Pike, Washington and York counties. Additional water and wastewater rates information is available on the company's website under Customer Service & Billing, and click on Your Water Rates link (https://amwater.com/paaw/customer-service-billing/your-water-rates).

SETTLEMENT APPROVED IN PENNSYLVANIA AMERICAN WATER RATE CASE

As part of the settlement, Pennsylvania American Water will increase its annual contribution to its Help to Others (H2O) Program™, which assists disadvantaged and low-income customers. The program provides water and wastewater customers who qualify with grants of up to $500 per year, discounts on the monthly bill and water-saving devices and education. The company's annual contribution will increase from $310,000 to $450,000 to support the H2O Program, which the company funds through matching customer and employee donations.

The settlement will result in an increase of approximately $62 million in annual revenue. The company had filed its original rate request with the PUC on April 28, 2017, seeking an annual revenue increase of approximately $107.9 million.

Pennsylvania American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to approximately 2.3 million people. With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,800 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting www.amwater.com.

# # #

Section 3: EX-99.2 (EXHIBIT 99.2 - RATE CASE FACT SHEET)

Exhibit 99.2

PENNSYLVANIA-AMERICAN WATER COMPANY
RATE CASE FACT SHEET
December 7, 2017

Annual Rate Increase:	**$62M**
Overall Rate Increase %:	**9.4%**
Effective Date:	**January 1, 2018**
Rate Base:	**$3.2B (1)**

Rate of Return:

	Ratio	Cost Rate	Weighted Cost Rate
Long Term Debt	**46.09%**	**5.13%**	**2.36%**
Preferred Stock	**0.16%**	**8.66%**	**0.01%**
Common Equity	**53.75%**	**10.0% (1)**	**5.38%**
Total	**100.00%**		**7.75%**

Note 1) Represents the Company's interpretation of Rate Base and Return on Equity based on a Black Box Settlement that does not specifically identify these amounts.

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Section 1: 8-K (FORM 8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 11, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01. Regulation FD.

On December 11, 2017, American Water Works Company, Inc. (the "Company") issued a press release announcing the Company's earnings per share guidance for the 2018 fiscal year and reaffirming its adjusted earnings per share guidance range for the 2017 fiscal year. A copy of this press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

On December 11, 2017, the Company is holding a conference call to discuss the Company's guidance for the 2018 fiscal year and other matters. The conference call will be accessible via dial-in conference call and pursuant to prior notice announced by a Company press release issued on November 27, 2017. A copy of the slide presentation to be used in connection with the conference call is attached hereto as Exhibit 99.2 and is incorporated by reference herein.

The information furnished in response to this Item 7.01, including Exhibits 99.1 and 99.2, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall they be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been furnished herewith:

Exhibit Number	Description
99.1	Press Release, dated December 11, 2017, issued by American Water Works Company, Inc.
99.2	American Water Works Company, Inc. 2018 Guidance Conference Call Presentation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 11, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

December 11, 2017

Ed Vallejo
Vice President, Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and Federal Affairs
856-309-4546
Maureen.Duffy@amwater.com

AMERICAN WATER ANNOUNCES 2018 EARNINGS GUIDANCE

- **Setting 2018 diluted earnings per share (EPS) guidance range of $3.22 to $3.32**
- **Maintaining our five year adjusted EPS compound annual growth rate of 7 to 10 percent anchored off 2016 adjusted EPS**
- **Investing $7.2 billion in regulated infrastructure over the next five years, an increase of $1.3 billion over 2017 five year plan**
- **Affirming narrowed 2017 adjusted earnings guidance range**

VOORHEES, N.J., Dec. 11, 2017 – American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, today announced its 2018 EPS guidance, estimated long-term (five year) adjusted EPS growth rate, and increases in infrastructure investment, and affirmed its previously narrowed EPS adjusted guidance range for the year ending December 31, 2017.

American Water estimates its 2018 diluted EPS to be in the range of $3.22 to $3.32.

“The 2018 guidance and our confidence in our long-term growth is based on the continued execution of our strategic goals,” said Susan Story, president and CEO of American Water. “We will continue to provide safe, clean, affordable and reliable water services for our customers. Our regulated business will remain the primary driver of growth through the investment of much needed capital for infrastructure replacement and an increasing customer base.

“We plan to invest more than $8 billion in the next five years to ensure our customers have the best service possible. This level of investment will be balanced by our use of technology, commitment to operational and capital efficiency, and cost management to reduce the impact on our customers’ bills,” said Story.

The company also affirmed its narrowed 2017 earnings guidance GAAP range of $3.05 - $3.11 per diluted share and an adjusted (non-GAAP) range of $3.00 - $3.06 per diluted share. The adjusted range excludes a $0.07 per diluted share benefit from the insurance settlement related to the Freedom Industries chemical spill and a $0.02 per diluted share charge from early extinguishment of debt at the parent company.

AMERICAN WATER ISSUES 2018 EARNINGS GUIDANCE

American Water will host its 2018 earnings guidance call and audio webcast with investors, analysts and other interested parties on Monday, Dec. 11, 2017, at 9 a.m. Eastern Time.

Interested parties may listen over the Internet by logging on to the Investor Relations page of the company's website at www.amwater.com.

Following the conference call, an audio archive of the call will be available through Dec. 18, 2017 by dialing 1-877-344-7529 for U.S. and 1-412-317-0088 for international callers. The access code for replay is 10114605. The online archive of the webcast will be available through Jan. 11, 2018, by accessing the Investor Relations page of the company's website located at www.amwater.com.

Non-GAAP Financial Measures

This press release includes presentations of adjusted earnings per diluted share as earnings guidance ("Adjusted EPS") and the Company's five-year adjusted EPS compound annual growth rate. These items constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. Adjusted EPS is defined as GAAP diluted net income and earnings per diluted common share, respectively, excluding (1) the impact in the third quarter of 2017 of the insurance settlement related to the Freedom Industries chemical spill, and (2) the early extinguishment of debt at the parent company in the third quarter of 2017. The Company's five-year adjusted EPS compound annual growth rate was determined by reference to the Company's 2016 Adjusted EPS, which excludes the impact in the third quarter of 2016 of the binding global agreement in principle to settle claims related to the Freedom Industries chemical spill. These non-GAAP financial measures supplement the company's GAAP disclosures and should not be considered an alternative to the GAAP measure.

Management believes that the presentation of these non-GAAP financial measures are useful to American Water's investors because they provide an indication of its baseline future performance excluding items that are not considered by management to be reflective of ongoing operating results. Although management uses these non-GAAP financial measures internally to provide forecasted financial information, management does not intend such guidance excluding the adjustments to represent results as defined by GAAP, and the reader should not consider them as indicators of future performance. The company's definition of Adjusted EPS or its long-term adjusted EPS compound annual growth rate may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use.

Set forth in this release is a table that reconciles Adjusted EPS to the most directly comparable GAAP financial measure.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,800 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting amwater.com.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2018 earnings guidance, projected long-term earnings growth, and the Company's projected long-term infrastructure expenditure forecast, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2016, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, permitting, and other decisions; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; potential costs and liabilities of American Water for environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers, including, for example, water management solutions focused on customers in the natural gas exploration and production market; the outcome of litigation and similar government actions, including matters related to the Freedom Industries chemical spill in West Virginia, and the preliminarily approved global class action settlement related to this chemical spill; weather conditions, and events, climate change patterns, and natural disasters, including drought or abnormally high rainfall, strong winds,

coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms and solar flares; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its operational and information technology ("IT") systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers; exposure or infiltration of its critical infrastructure, operational technology and IT systems, including the disclosure of sensitive or confidential information contained therein, through physical or cyber-attacks or other disruptions; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with, or otherwise obtain, new customers in its Market-based Businesses; cost overruns relating to improvements in or the expansion of its operations; its ability to maintain safe work sites; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or funding requirements or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income, general and other tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts; and the impact of new accounting standards or changes to existing standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Section 3: EX-99.2 (EX-99.2)

Forward-Looking Statements

Ed Vallejo

Vice President, Investor Relations

Forward-Looking Statements and Other Information

Certain statements in this presentation including, without limitation, 2017 and 2018 earnings guidance, projected long-term earnings growth, the outcome of new and pending acquisition activity, O&M efficiency ratio targets, estimated revenues from rate cases and other government agency authorizations, the level of future capital expenditures and rate base growth, future dividend growth, estimates regarding the company's projected financial condition and net operating loss position, and the outcome and impact of proposed tax reform legislation, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. 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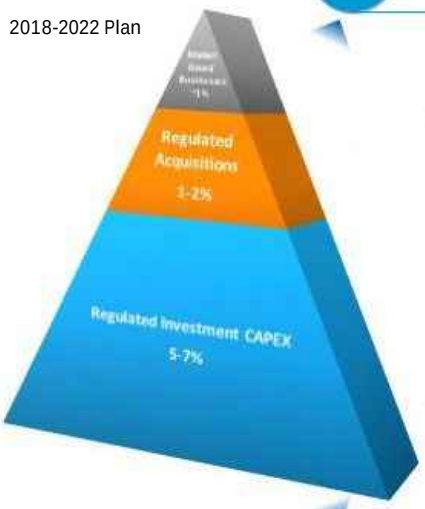
December 2017

Strategy Overview

Susan Story
President and Chief Executive Officer

Headlines from Today's Call

2018-2022 Plan



- Maintaining 7 – 10%* five-year EPS CAGR, affirming narrowed 2017 adjusted EPS range, and setting 2018 EPS Guidance at $3.22 - $3.32
- Investing an expected $8.0 - $8.6 billion over the next 5 years with continuing focus on customer affordability
- Delivering a more regulated business mix and risk profile
- Reinforcing that our market-based businesses provide growth, strategic value and positive cash flow
- Expecting to grow our dividend at high end of the long-term 7 – 10%* adjusted EPS growth

** Anchored off of 2016 Adjusted EPS (a non-GAAP measure).*

The More Things Change…the More Our Story Works!

As Things Change…	Our Story Works…
• Water Quality Concerns – Is my Water Safe?	✓ Industry leader in water R&D ✓ Dedicated scientists to emerging contaminants ✓ Largest national investor in water projects
• Higher Customer Expectations – I Want "What" I Want, "When" and "How" I Want It!	✓ Working toward "Amazon-like" customer experience ✓ Industry leading water quality
• Regulatory Imperatives – Striking a Balance	✓ Leader in finding ways to balance investment, service, and affordability
• Technology Breakthroughs – A Better World	✓ Operational and capital efficiency focus ✓ Integrated workforce planning initiatives
• Interest Rates: A New Normal?	✓ Continued Investment ✓ Continued Growth plus Strong Dividend Growth
• Infrastructure Replacement – Show Me the Federal Funding!	✓ Business model that works under any scenario
• Tax Reform- What's In and Out?	✓ More investment without affecting customer bills

Our Company is a Perfect Fit for ESG Investors

Environmental

- Investing five-year $7.2 billion regulated cap ex over 5 years to: address aging infrastructure; reduce/eliminate leaks; improve cyber/physical security; and increase resiliency of critical assets to climate variability
- Setting goal of reducing GHG emissions 40% by 2025 from 2007 baseline, after achieving 25% reduction through 2017
- Reducing annual water use by 3.5 billion gallons through conservation
- Recycling over 2 billion gallons water annually and producing reuse water at more than 39 facilities
- Prioritizing R&D efforts in water quality and technology with 15 scientists dedicated to research

Social Responsibility

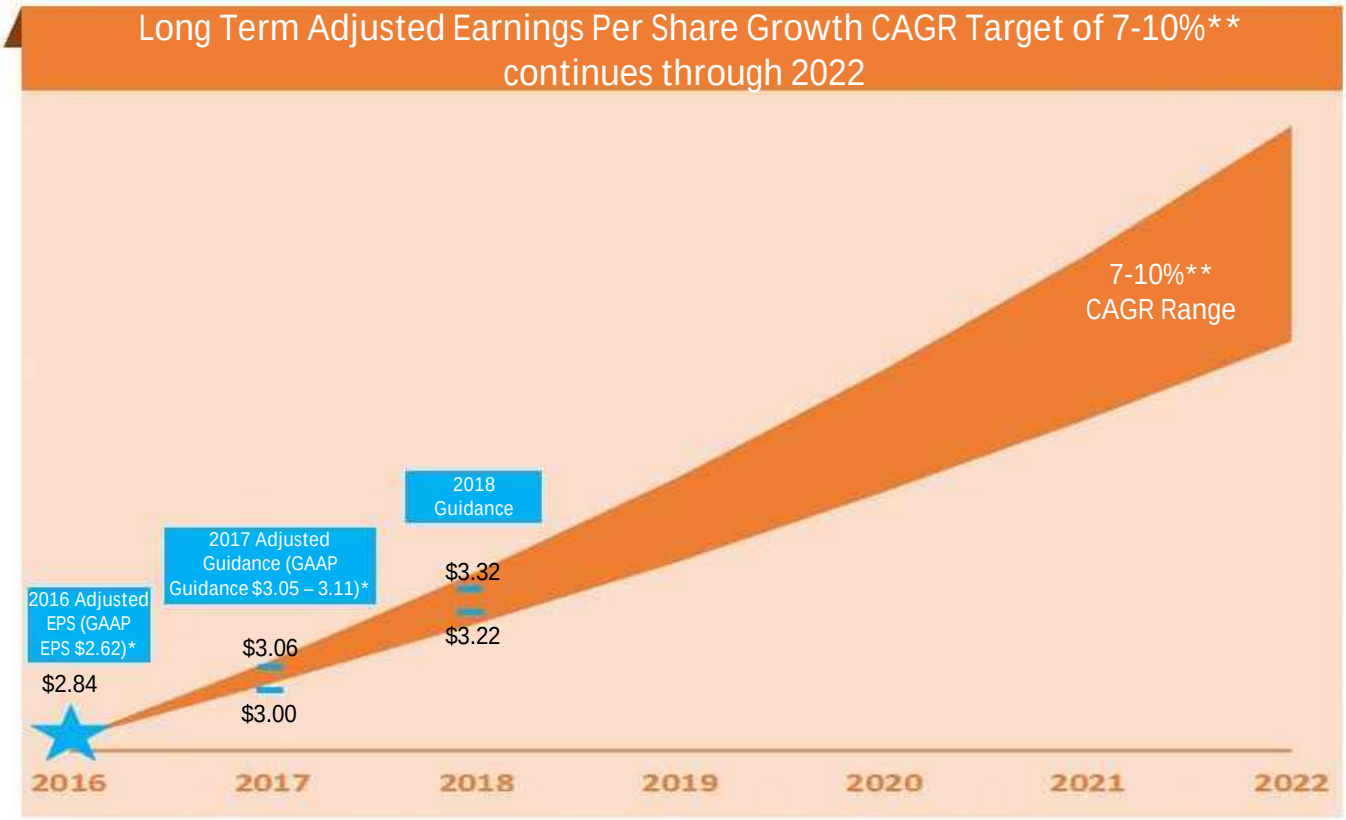
- 60,000 hours of annual employee safety training
- Top Quartile Customer Satisfaction in the water industry
- $387 million annual spend w/ Tier 1 Diverse Suppliers; Supply Chain dedicated to Human Rights
- More than 4,000 hours of company-sponsored community service annually by employees
- Donating around $750,000 annually to communities we serve from company-funded American Water Charitable Foundation
- Ensuring a diverse, inclusive culture characterized by respect and dignity of every employee through "tone at the top" and required training
- Frequent employee engagement surveys with formalized employee action teams
- As of November 1, 2017, 48% of workforce is in jobs represented by unions
- 88% of diverse job candidate pools in 2016 with 62% of transfers/promotions filled by minority, female, veteran or disabled individuals

Governance

- Achieving gender parity: highest number of female board members among S&P 500 companies in 2016; currently at 57% female
- Ensuring independence: board is led by an independent, non-executive chair
- Refreshing board a priority: average director tenure is 7.2 years as of November 30, 2017
- Engaging board sufficiently: board met 13 times in 2016
- Educating and developing board: formal director education program with dedicated funding
- Engaging investors: robust program for management and board leadership
- Executive and director stock ownership requirements: align with long-term interests of our stockholders

AWK Members of: MSCI 2017 Constituent MSCI Global Sustainability Indexes; EURONEXT vigeo eiris; FTSE4Good; Dow Jones Sustainability Indexes

American Water will Continue to be a High Growth Utility



** Adjusted EPS is a Non-GAAP measure. Please see appendix for reconciliation and further information.*
*** Anchored off of 2016 Adjusted EPS (a non-GAAP measure).*

December 2017

The Regulated Business

Walter Lynch
Chief Operating Officer

Our Regulated Story Works…and We Execute on Our Strategies!

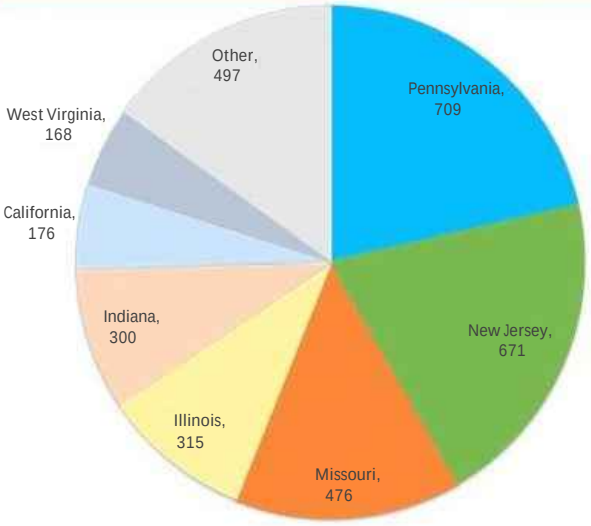
Our Story Works…	We Execute…
• Industry Leader in Water Quality	✓ 15 R&D scientists (includes 8 PhDs) ✓ Growing partnership in emerging contaminants ✓ Source water monitoring
• Continued Infrastructure Investment	✓ $7.2 Billion Five Year Regulated Capital Plan ✓ $1.3 Billion increase to better serve customers, address emerging contaminants and climate variability, while keeping customer bill increase to ~3.2%
• Leader in Balancing Investment, Service, and Affordability	✓ New 32.0%* O&M Efficiency Target by 2022 ✓ Working Towards "Amazon-like" experience ✓ Customer focused technology
• Drive Legislation & Regulation to Enable Acquisitions	✓ Provides Competitive advantage ✓ Expands wastewater footprint where we serve water ✓ $0.6 - $1.2 Billion for Regulated Acquisitions

*Non-GAAP measure. O&M Efficiency Ratio = Adjusted Regulated O&M Expenses (O&M Expenses is most comparable GAAP measure) / Adjusted Regulated Operating Revenues (Operating Revenues is most comparable GAAP measure). This calculation assumes purchased water revenues approximate purchased water expenses. A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort.

The Leading Investor Owned Water Utility Company

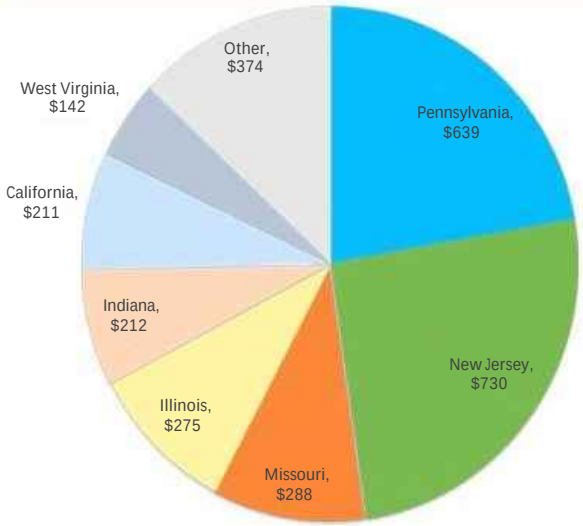
Total Customer Connections

As of December 31, 2016
(in Thousands)



2016 Regulated Revenues

(in Millions)

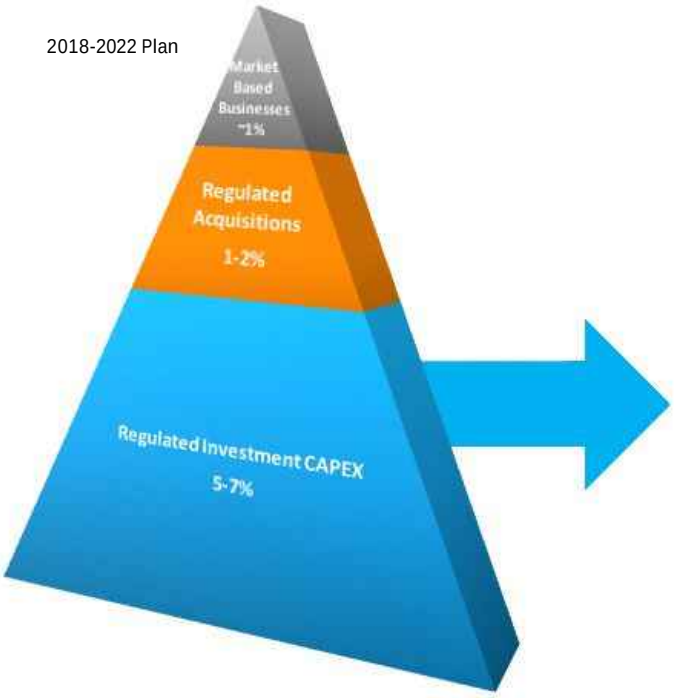


Our Regulated Footprint

- 16 Regulated States
- 3.3 Million Total Customer Connections
- 1,600 Communities Served
- 1 Billion Gallons of Water Treated and Delivered Daily

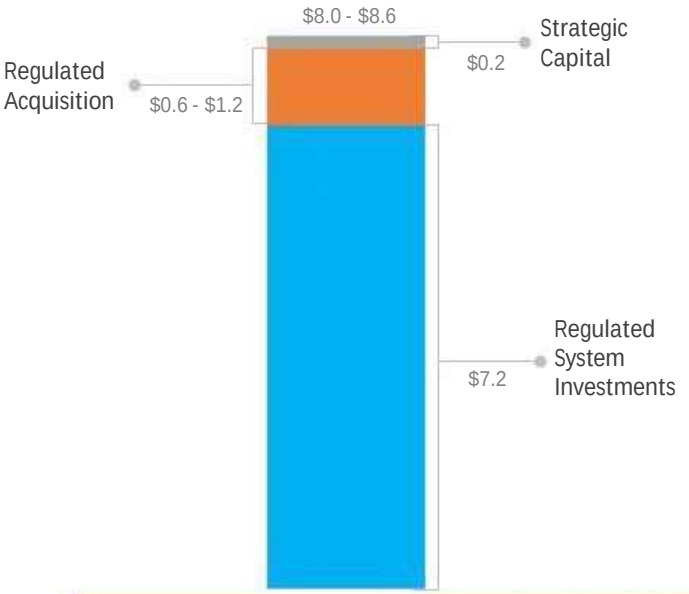
December 2017

U.S. Water & Wastewater Infrastructure Faces Multi-Decade Investment Needs



Regulated Investment: $8.0 - $8.6 Billion of Investments from 2018 – 2022; $7.2 Billion for Regulated Systems

2018-2022 Capital Expenditure by Category
(In $ Billions)

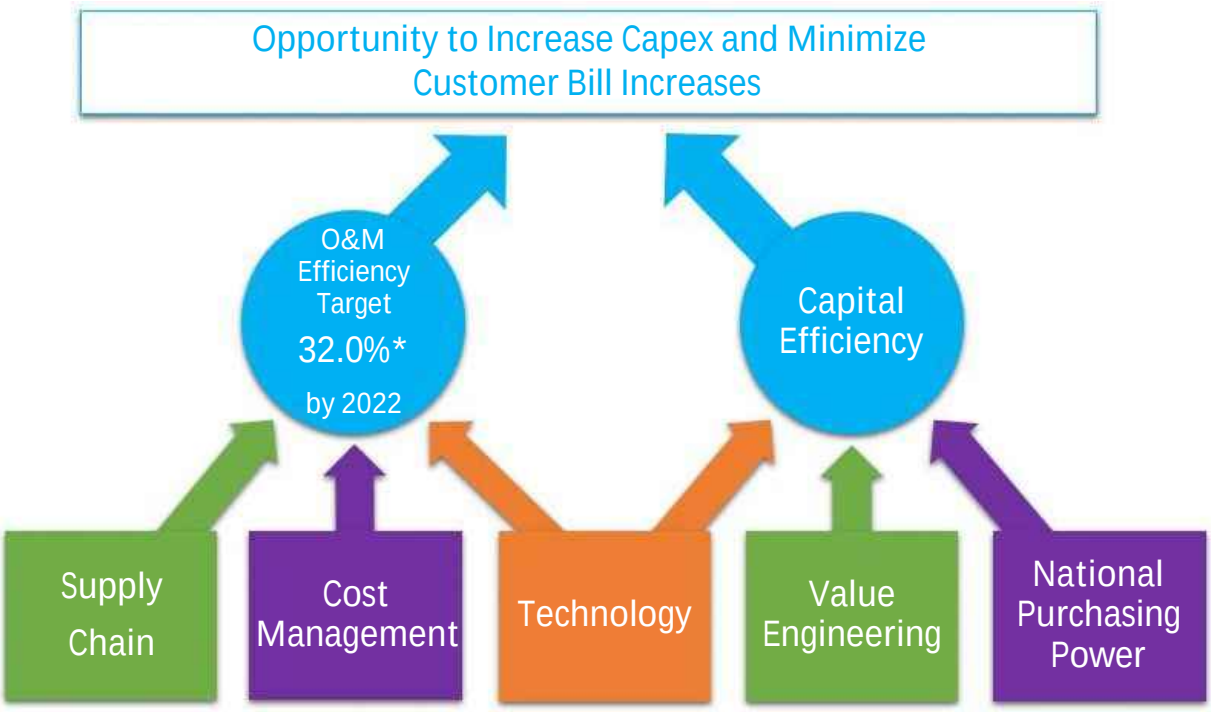


Why the Additional $1.3 Billion of Infrastructure Spend

- Continue addressing water and wastewater infrastructure challenges
- Increasing water quality complexities with emerging contaminants
- Resiliency and climate variability
- Source water protection

Continued Smooth Deployment of Capital

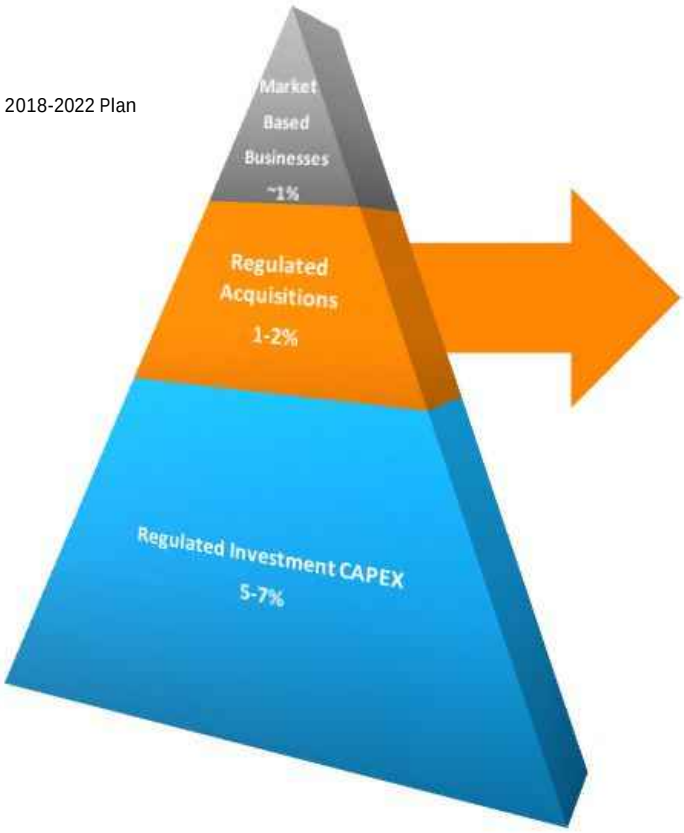
Regulated Investment: Leveraging Our Competencies for Customer Benefits



* Non-GAAP measure. O&M Efficiency Ratio = Adjusted Regulated O&M Expenses (O&M Expenses is most comparable GAAP measure) / Adjusted Regulated Operating Revenues (Operating Revenues is most comparable GAAP measure). This calculation assumes purchased water revenues approximate purchased water expenses. A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort.

Regulated Acquisitions: Highly Fragmented Water Industry Creates Opportunity

2018-2022 Plan



Industry Opportunity

American Water Footprint

- ✓ Ideal Fit for Industry Consolidation Opportunities
- ✓ Target 5k – 30k Customer Connections Per Acquisition
- ✓ Wastewater Focus (Customer Connections Mix – 95% Water & 5% Wasterwater)

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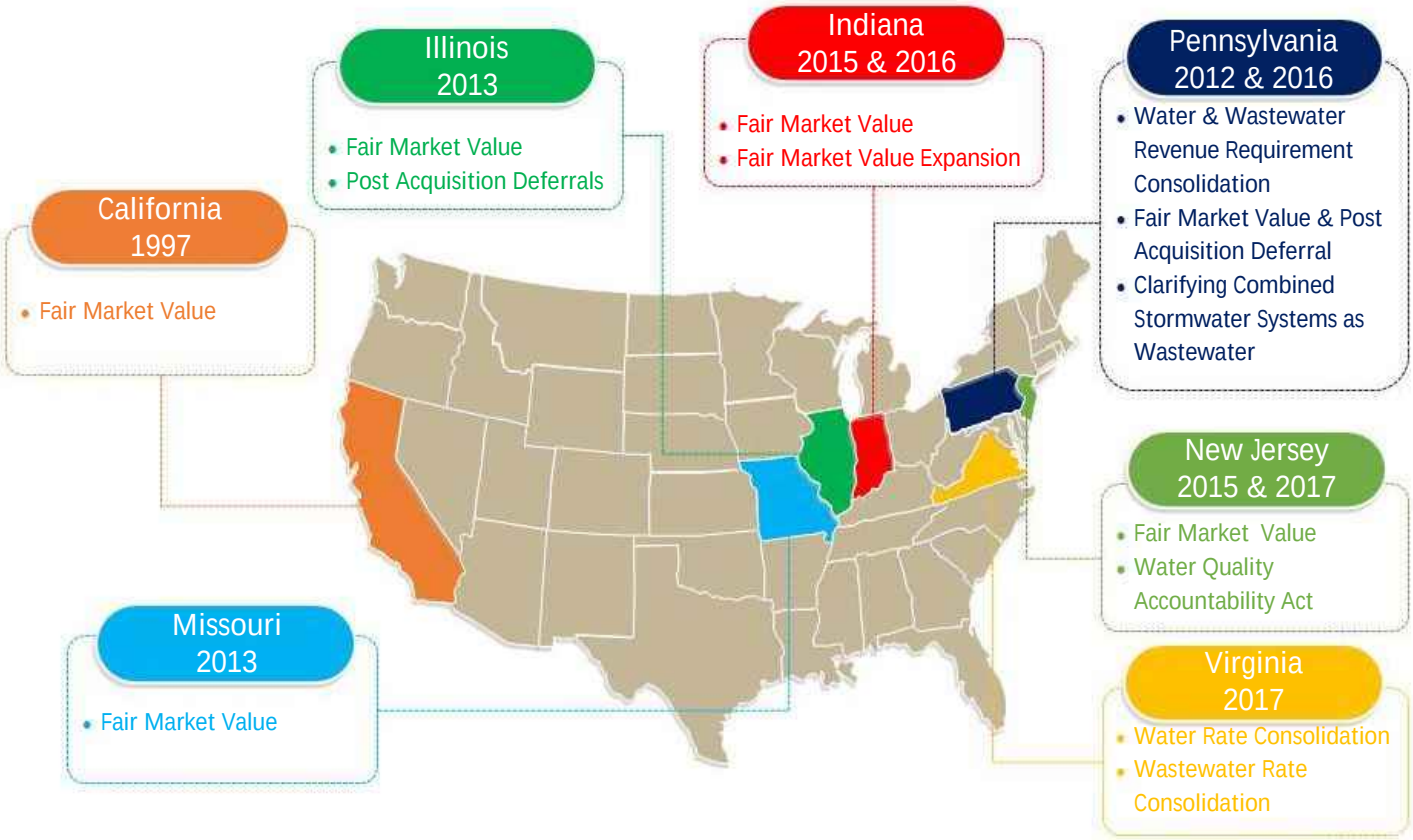
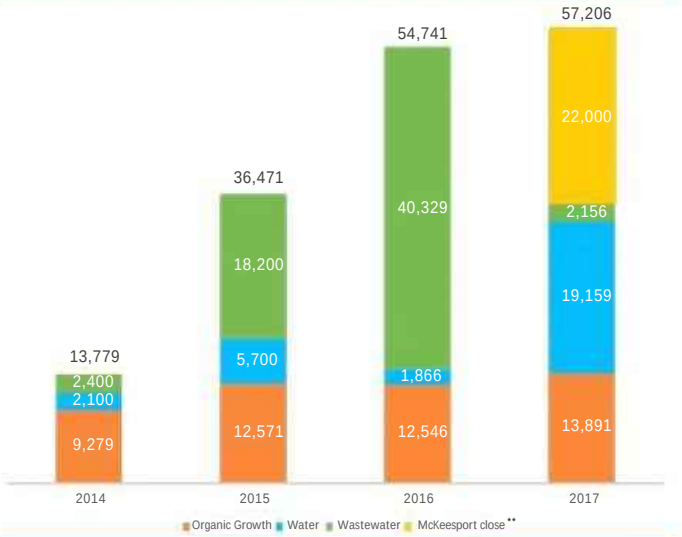
Regulated Acquisitions: State Legislation that Enables with Water & Wastewater System Consolidation



Regulated Acquisitions: Adding Customers Through Acquisitions and Organic Growth

Customer Additions from Organic Growth and Closed Acquisitions 2014 – 2017 (with McKeesport close by year end)*



We also have ~23,500 pending customer acquisitions with McKeesport close by year end
(45,500 without McKeesport close by year end)

Selected Upcoming Acquisition Opportunities

	Approximate Customers
Target A	30,000
Target B	30,000
Target C	23,200
Target D	20,800
Target E	20,100
Target F	16,500
Target G	14,500

Over 330,000 Customer Connection Opportunities in Development

*2017 Organic growth through September 30, 2017 of 10,400 plus an estimated 1,100 additional customers per month for the last 3 months of 2017
** The McKeesport, PA acquisition, represents 22,000 customers, due to bulk contracts. Connections to the system will be approximately 11,000

Our Financial Plan

Linda Sullivan
Chief Financial Officer

Our Story Works…and We Deliver on Our Strategies!

Our Story Works…	We Deliver…
• A Business Model that Works	✓ Affirm 2017 Adjusted EPS Guidance* ✓ Strong 2018 EPS Guidance ✓ Continued 7 – 10%** Long Term EPS CAGR
• A More Regulated Risk Profile	✓ Regulated: $8.0-$8.6 billion needed investment drives more regulated business mix while keeping average customer bill increase to ~3.2% ✓ Market-based: strong portfolio growth, capital light and cash flow positive
• A Strong Balance Sheet	✓ Strong Cash Flow ✓ Plan assumes no new equity under normal operating conditions
• Tax Reform Under Review	✓ Lower tax rates could benefit our customers
• A Top Quartile Dividend Grower	✓ Five consecutive years with ~10% growth ✓ Expect to grow dividend at top of long term adjusted EPS growth** ✓ Target payout ratio 50-60% of earnings

** Adjusted EPS is a Non-GAAP measure.* Please see appendix for reconciliation and further information.
*** Anchored off of 2016 Adjusted EPS (a non-GAAP measure).*

American Water Continues to be a High Growth Utility

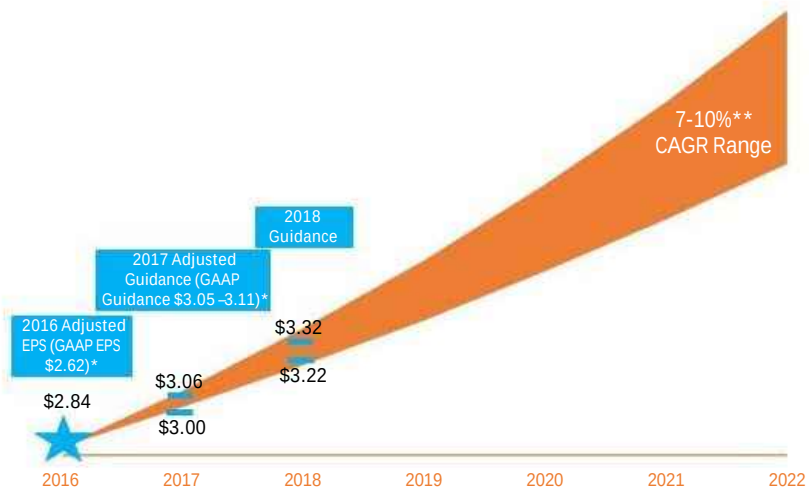
Earnings Guidance and Anchor

- ✓ Affirm 2017 EPS Guidance range
- ✓ GAAP: $3.05 -$3.11
- ✓ Adjusted: $3.00 -3.06*

- ✓ 2018 EPS Guidance $3.22 - $3.32
- ✓ 8% growth over midpoint of 2017 adjusted guidance**

- ✓ Continue Long Term Adjusted EPS CAGR of 7 – 10%**
- ✓ Anchor moved to 2016 Adjusted EPS*

Long Term Adjusted Earnings Per Share Growth CAGR Target of 7-10%** continues through 2022



** Adjusted EPS is a Non-GAAP measure. Please see appendix for reconciliation and further information.*
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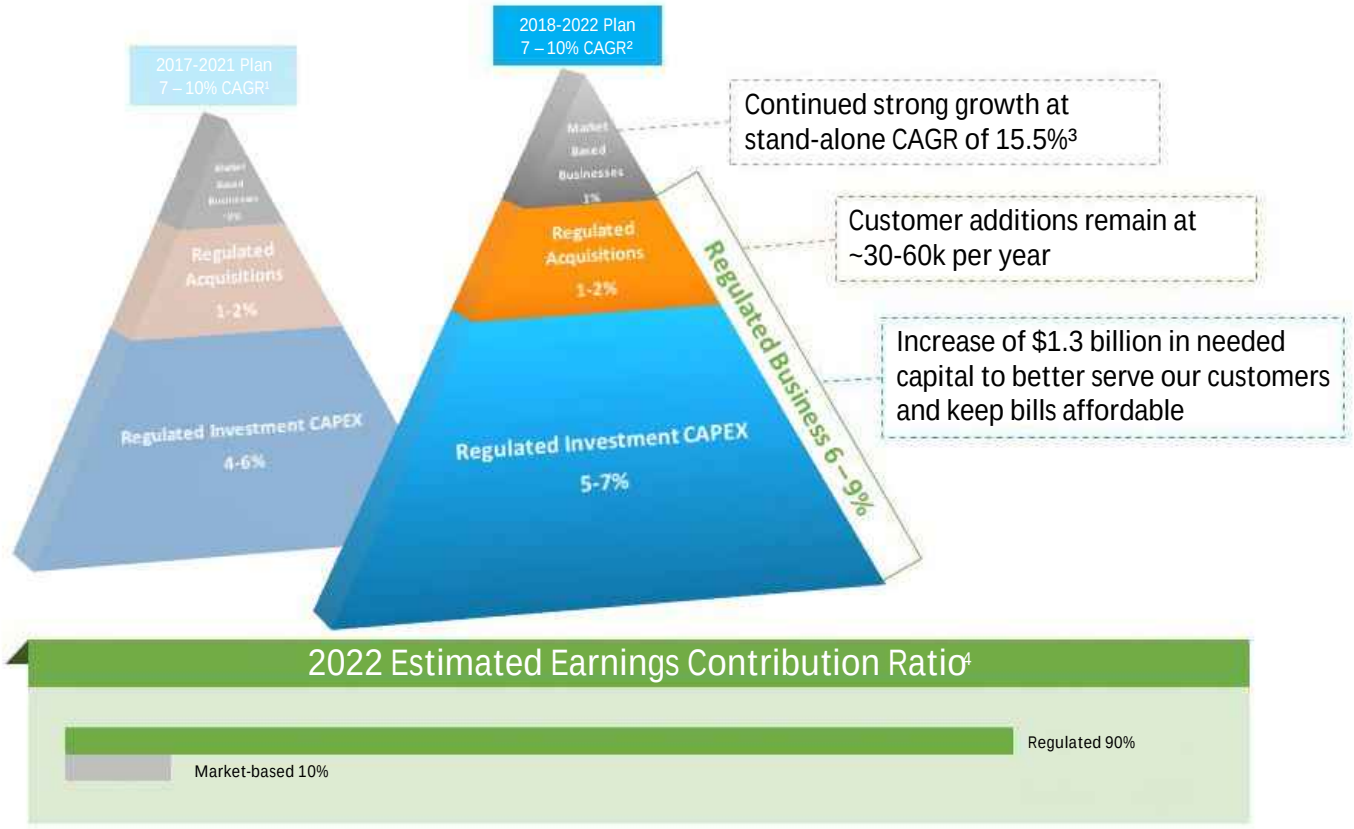
Our 2018 Guidance and Major Variables Included in the Range

Revised 2017 EPS GAAP guidance $3.05-$3.11. Adjusted 2017 EPS guidance is a non-GAAP measure. Please see appendix for reconciliation and further information.

Needed Infrastructure Investment Transitions us to an Even More Regulated Risk Profile



[1] *Anchored off of 2015 EPS.*
[2] *Anchored off of 2016 Adjusted EPS (a non-GAAP measure).*
[3] *Based on 2018 – 2022 plan and anchored off of 2016 business line results.*
[4] *Approximate. Excludes parent and other.*

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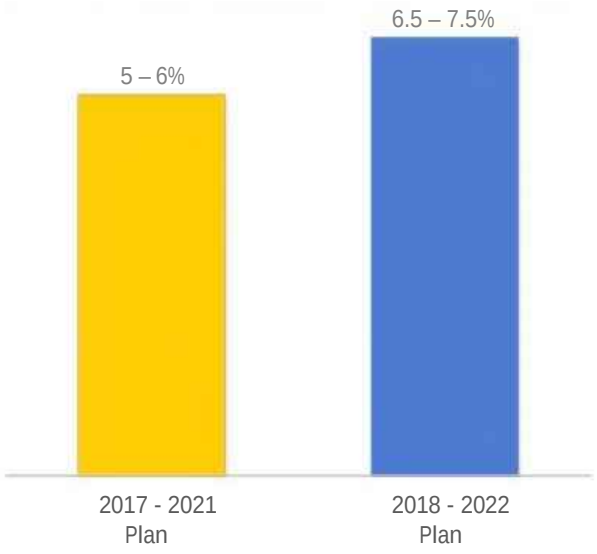
Increased Capital Expenditures Drives Stronger Rate Base Growth

Rate Base CAGR Based on $8.0 - $8.6 Billion Capital Plan



Highlights

- ✓ Capital increase to better serve customers results in ~100 basis point increase in rate base CAGR
- ✓ Target O&M efficiency ratio of 32.0%* by 2022 helps keep customer bills affordable

Enhanced Regulated Risk Characteristics

- ✓ Economy of Scale
- ✓ Regulatory Diversity
- ✓ Decades of Capital Needs
- ✓ Mechanisms Accelerate Investment Recovery
- ✓ Low Volatility of Capital Deployment
- ✓ Enabling Legislation

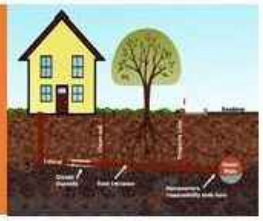
* *Non-GAAP measure. O&M Efficiency Ratio = Adjusted Regulated O&M Expenses (O&M Expenses is most comparable GAAP measure) / Adjusted Regulated Operating Revenues (Operating Revenues is most comparable GAAP measure). This calculation assumes purchased water revenues approximate purchased water expenses. A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort.*

Market-Based Businesses Continue to Provide Strategic Value

Three Primary Businesses

Military Services Group

Homeowners Services Group



Keystone

Highlights

- ✓ 15.5%* Stand Alone Growth CAGR
- ✓ Cash Flow Positive Businesses Help to Support Growth
- ✓ Leverage Size and Scale

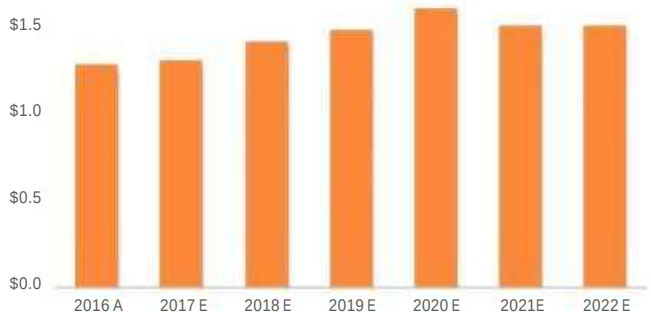
Market-Based Risk Characteristics

- ✓ Managed Portfolio Risk
- ✓ Complementary water and wastewater services
- ✓ Leverage core competencies
- ✓ Capital light, cash positive
- ✓ Competitive culture

** Based on 2018 – 2022 plan and anchored off of 2016 business line results.*

Long Term Plan Utilizes Strong Balance Sheet

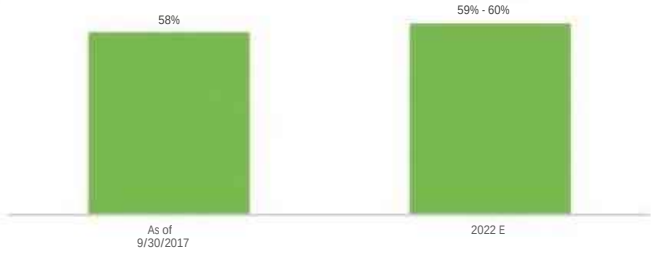
Cash Flow from Operations



Cash Flow Remains Strong

- ✓ Federal NOL of $1.2 billion is projected by the end of 2017
- ✓ Federal NOL position continues through 2021 assuming no tax reform

Debt to Total Capital
$8.0 to $8.6 Billion CapEx Range*



*Includes both fixed rate and short term debt. E denotes estimated.

Maintain Strong Balance Sheet

- ✓ Utilize balance sheet
- ✓ No significant debt maturities over next five years
- ✓ Leverage increase to a range of 59% - 60% by 2022

Tax Reform Remains Uncertain

House Bill

Tax Rate

- 20% corporate tax rate in 2018
- Normalization of excess deferred taxes for regulated businesses

Interest Deductibility/ Accelerated Depreciation

- Potential interest expense deduction limits
  - 30% EBITDA test
- Carve out for regulated utilities

Senate Bill

Tax Rate

- 20% corporate tax rate in 2019
- Normalization of excess deferred taxes for regulated businesses

Interest Deductibility/ Accelerated Depreciation

- Potential interest expense deduction limits
  - 30% EBIT test
- Carve out for regulated utilities

Potential Impacts

Tax Rate

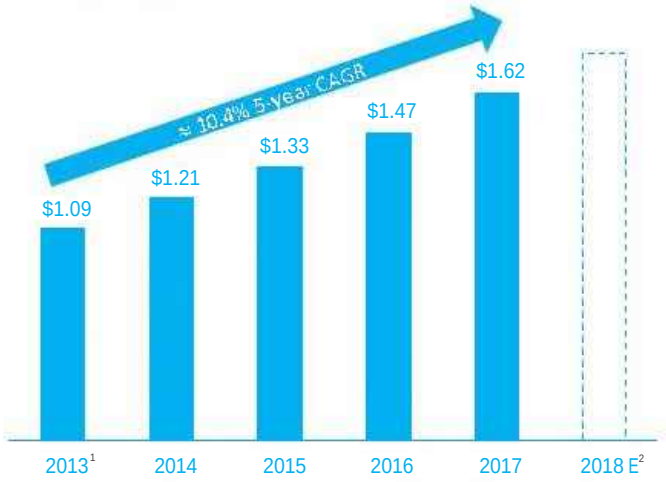
- Benefits regulated customers
- Lowers cash flow and FFO/Debt
- Increases MBB earnings; military contracts true-up
- Increases loss at parent
- Deferred taxes re-measured
  - Regulated normalized
  - Rate Base increased
  - MBB/Parent impacts earnings
- Accelerates timing of becoming cash taxpayer

Interest Deductibility/ Accelerated Depreciation

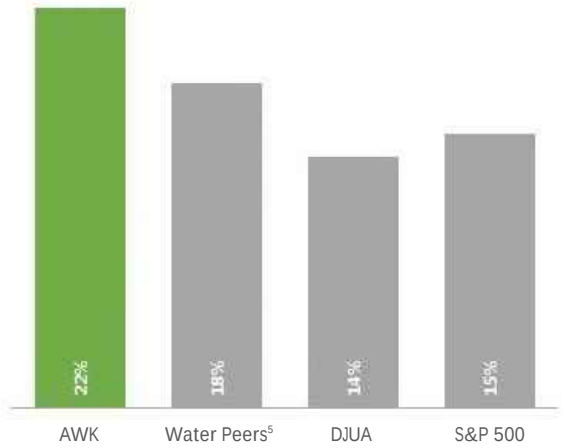
- Regulated carve out keeps interest deduction, does not allow accelerated depreciation
- Parent interest uncertain

A Top Leader in Dividend Growth and Total Shareholder Return

Five Consecutive Years of ~10% Dividend Growth



Annualized 5-Year Total Shareholder Return[4]



Highlights

- ✓ Expect 2018 Dividend to grow at top end of long term EPS growth CAGR for fifth consecutive year
- ✓ Targeted Long Term Dividend Growth CAGR at top end of 7-10% long term adjusted EPS growth[3]
- ✓ Target payout ratio 50-60% of earnings

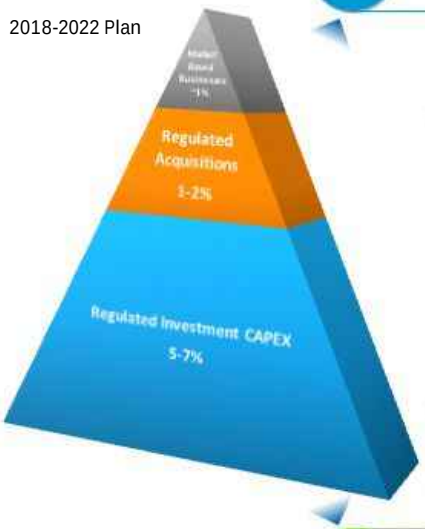
[1] The dividend normally paid in 1Q 2013 was actually accelerated and paid in late December 2012 to allow shareholders to take advantage of 2012 dividend tax rates. For the purposes of this presentation, this $0.25 dividend has been deducted from 2012 and added to 2013 to show the more normal dividend trend.
[2] Subject to approval by the Board of Directors
[3] Anchored off of 2016 Adjusted EPS (a non-GAAP measure)
[4] As of 11-01-2017 end date. Source: Bloomberg
[5] Bloomberg custom portfolio weighted by market cap. Water Peers: AWR, CTWS, CWCO, CWT, MSEX, SJW, WTR, YORW

Wrap Up

Susan Story
President and Chief Executive Officer

American Water Continues to be a High Growth Utility - Today's Key Takeaways

2018-2022 Plan



- Maintaining 7 – 10%* five-year EPS CAGR, affirming narrowed 2017 adjusted EPS range, and setting 2018 EPS Guidance at $3.22 - $3.32
- Investing an expected $8.0 - $8.6 billion over the next 5 years with continuing focus on customer affordability
- Delivering a more regulated business mix and risk profile
- Reinforcing that our market-based businesses provide growth, strategic value and positive cash flow
- Expecting to grow our dividend at high end of the long-term 7 – 10%* adjusted EPS growth

** Anchored off of 2016 Adjusted EPS (a non-GAAP measure).*

"American Water -
your calm
in the middle of the storms."

AMERICAN WATER

Q & A Session

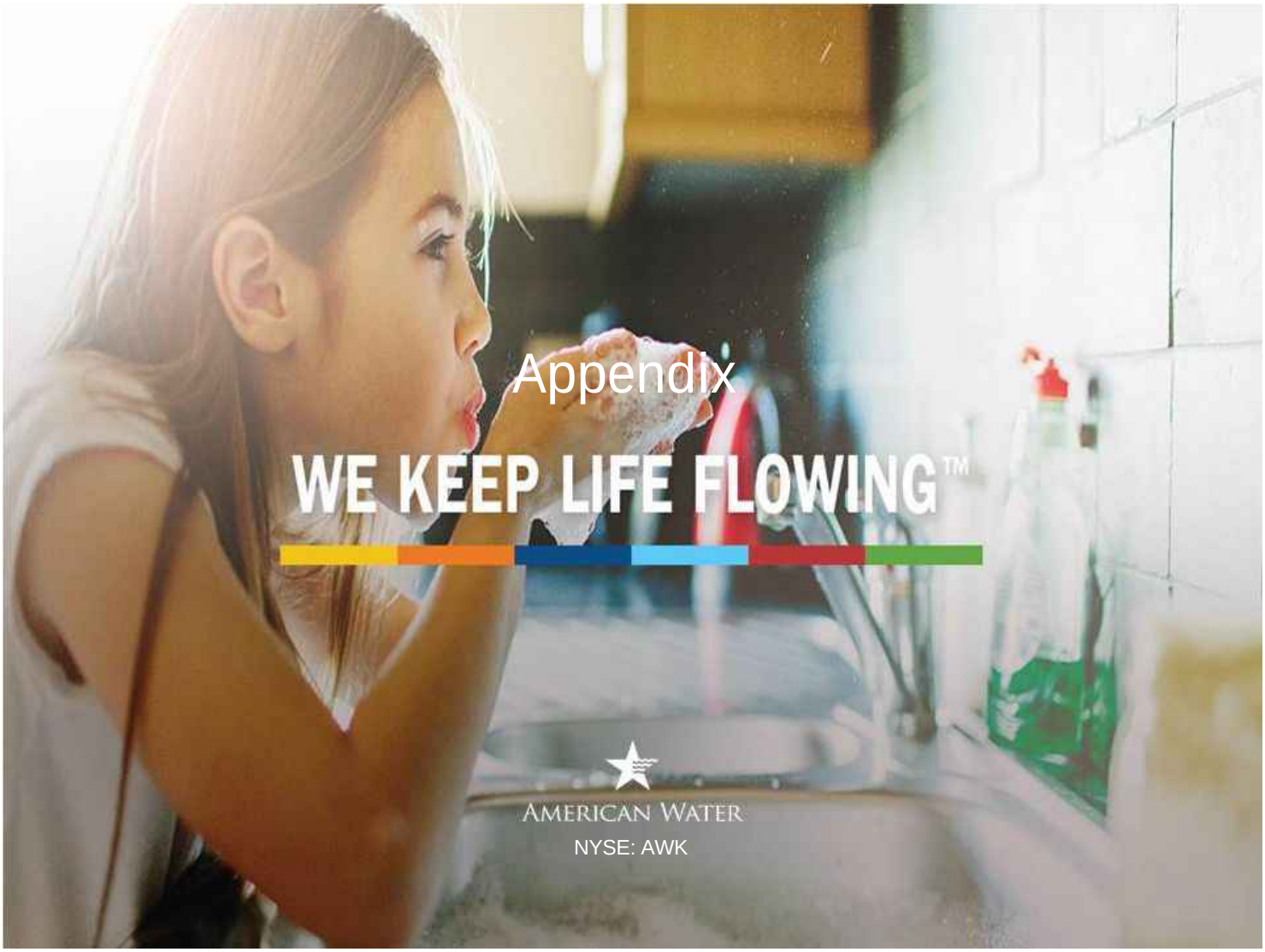
Investor Relations Contacts

Ed Vallejo
Vice President,
Investor Relations
edward.vallejo@amwater.com

Ralph Jedlicka
Director,
Investor Relations
ralph.jedlicka@amwater.com

Upcoming Events:

February 21, 2018	Q4 and Year-End 2017 Earnings Call
December 11, 2018	2018 Analyst Day, New HQ in Camden, NJ


Appendix
WE KEEP LIFE FLOWING™
AMERICAN WATER
NYSE: AWK

Non-GAAP Financial Information

This presentation includes adjusted earnings per diluted common share ("Adjusted EPS") both as 2017 non-GAAP earnings guidance and as the 2016 EPS compound annual growth rate anchor, which constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. Adjusted EPS as 2017 non-GAAP earnings guidance is defined as 2017 GAAP earnings per diluted common share ("GAAP EPS"), excluding the impact in the third quarter of 2017 of (1) the insurance settlement related to the Freedom Industries chemical spill and (2) the early extinguishment of debt at the parent company. Adjusted EPS as the 2016 EPS compound annual growth rate anchor is defined as 2016 GAAP EPS, excluding the impact in the third quarter of 2016 of the binding agreement in principle to settle claims related to the Freedom Industries chemical spill. Adjusted EPS supplements American Water's GAAP disclosures and should not be considered as an alternative to the GAAP measure.

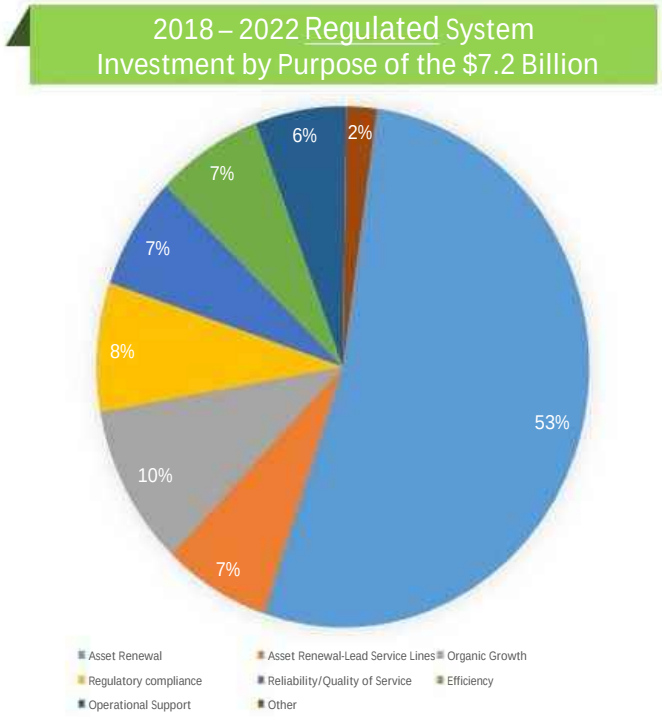
Management believes that the presentation of these non-GAAP financial measures are useful to American Water's investors because they provide an indication of its baseline performance excluding items that are not considered by management to be reflective of ongoing operating results. Although management uses these non-GAAP financial measures internally to evaluate American Water's results of operations, management does not intend results excluding the adjustments to represent results as defined by GAAP, and the reader should not consider them as indicators of performance. These items are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. The company's definitions of Adjusted EPS may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use.

This presentation also includes regulated O&M efficiency ratios, both historical and forward-looking, which excludes from their calculation for each period presented one or more items, including estimated purchased water revenues and purchased water expenses, the impact of certain activities related to the Freedom Industries chemical spill, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. These O&M efficiency ratios constitute "non-GAAP financial measures" under SEC rules. These ratios are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. These non-GAAP financial measures supplement and should be read in conjunction with American Water's GAAP disclosures and should not be considered an alternative to GAAP measures.

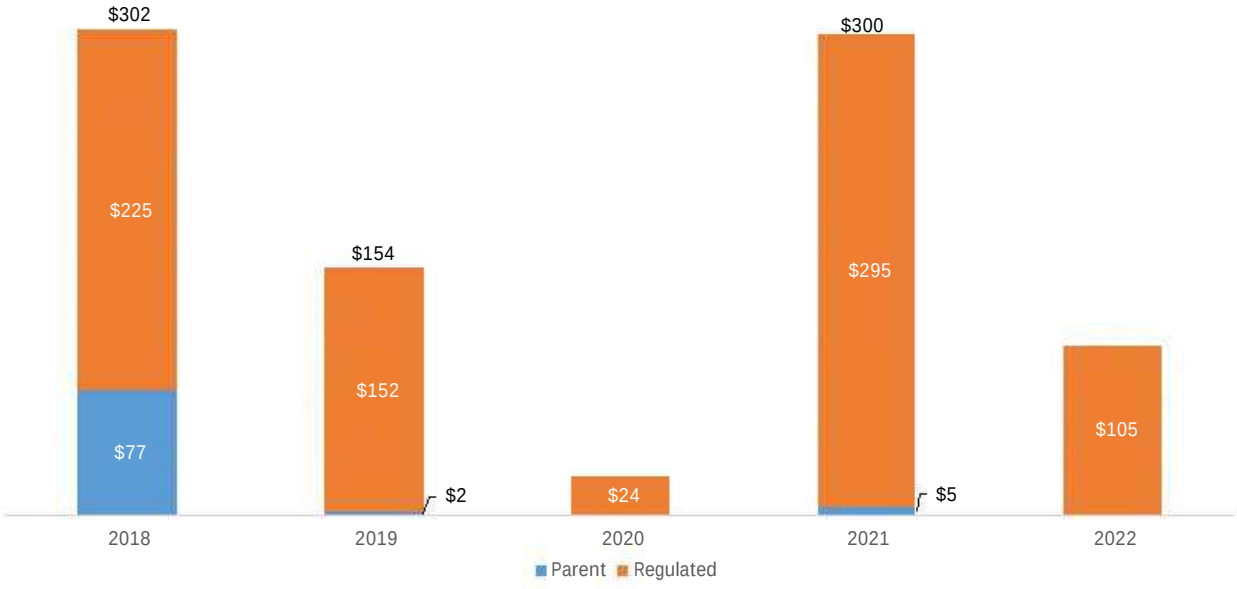
Management believes that the presentation of regulated O&M efficiency ratios is useful to investors because it provides a means of evaluating American Water's operating performance without giving effect to items that are not reflective of management's ability to increase efficiency of American Water's regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical and future performance, management relies, in part, on trends in American Water's historical results and predictions of future results, exclusive of these items. American Water's definition of these ratios may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use. American Water is unable to present a reconciliation of adjustments to the components of its forward-looking O&M efficiency ratio without unreasonable effort because management cannot reliably predict the nature, amount or probable significance of all the adjustments for future periods; however, these adjustments may, individually or in the aggregate, cause the non-GAAP financial measure component of the forward-looking ratio to differ significantly from its most directly comparable GAAP financial measure.

Set forth in this appendix are tables that reconcile Adjusted EPS as 2017 non-GAAP earnings guidance and as the 2016 EPS compound annual growth rate anchor, each to GAAP EPS, and each of the components of its historical O&M efficiency ratios to its most directly comparable GAAP financial measure.

Our Regulated Infrastructure Investment Five-Year Plan



Our Five-Year Debt Maturity Schedule



Next 5 years	2018-2022	Outstanding ($ in millions)	Avg Remaining Life (years)	Weighted Avg Interest Rate
	Parent	$85	1.2	5.63%
	Regulated	$800	2.5	5.89%
	Total	$885	2.4	5.87%

Rate Filings Awaiting Final Order

Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base
Rate Cases Filed						
California	Case No. A.16-07-002	7/1/2016	$32	(a)	NA	$494
Missouri	Case No. WR-2017-0285	6/30/2017	$84	(b)	10.80%	$1,345
New Jersey	Case No. WR-17090985	9/15/2017	$129		10.80%	$3,025
			$245			$4,864
Infrastructure Charges Filed						
New Jersey (DSIC)		10/13/2017	$4			$29
Virgina (WWISC)		10/31/2017	$1			$9
Tennessee (QIIP, EDI, SEC)		11/7/2017	$2			$12
			$7			$97
Rate Case and Infrastructue Settlements awaiting Regulatory Approval						
West Virginia (DSIC)		6/15/2017	$3	(c)		
			$3			
		Total Awaiting Final Order:	$255			

(a) For this final application, Test Year 2018 revenue requirement request is $35 million. This excludes the step rate and attrition rate increase for 2019 and 2020 of $9 million and $8 million, respectively. The total revenue requirement request for the three year rate case cycle is $51 million. On October 10, 2016, the Company filed an update to our final general rate case application adjusting the request to $32 million of additional annualized revenues. It also includes increases in the escalation year 2019 and the attrition year 2020 of $9 million and $8 million, respectively.

(b) The requested increase is $89 million, which includes the original $5 million from the pending ISRS. This amount is a requested increase of $69 million over the prior authorized revenues, which is the difference between the filed for $369 million revenue requirement and the previously authorized $295 million revenue requirement, less original $5 million of pending ISRS.

(c) On October 11, 2017, our West Virginia subsidiary filed a settlement agreement with the Public Service Commission (PSC) of West Virginia, whereby all parties to the proceeding have agreed to an infrastructure surcharge that would generate $3 million in additional annualized revenues, pending approval by the PSC.

Regulated Utilities: Rate Base & Authorized Return on Equity

Last Rate Case Awarded - Largest Regulated Subsidiaries

	California American Water		Illinois American Water		Indiana American Water		Kentucky American Water		Missouri American Water	
Authorized Rate Base*	$439,448		$883,386		$841,915	(b)	$405,704	(b)	$1,132,843	(b)
Authorized ROE	9.99%	(a)	9.79%		9.75%		9.70%	(e)	9.75%	(e)
Authorized Equity	53.00%	(a)	49.80%		41.55%	(c)	47.36%	(d)	50.04%	(d)
Effective Date of Rate Case	1/1/2015	(a)	1/1/2017		1/29/2015		8/28/2016		7/20 & 7/22/2016	

	New Jersey American Water	New York American Water	Pennsylvania American Water		Virginia American Water		West Virginia American Water
Authorized Rate Base*	$2,386,790	$275,463	$3,162,597	(b)	$155,747		$529,212
Authorized ROE	9.75%	9.10%	10.00%	(e)	9.25%		9.75%
Authorized Equity	52.00%	46.00%	53.75%	(d)	46.09%		45.84%
Effective Date of Rate Case	9/21/2015	6/1/2017	1/1/2018		5/24/2017	(f)	2/25/2016

**Rate Base stated in $000s*

Notes:

a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application, A.17-04-003 was filed April 3, 2017 with a projected effective date in 2018.

b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.

c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base.

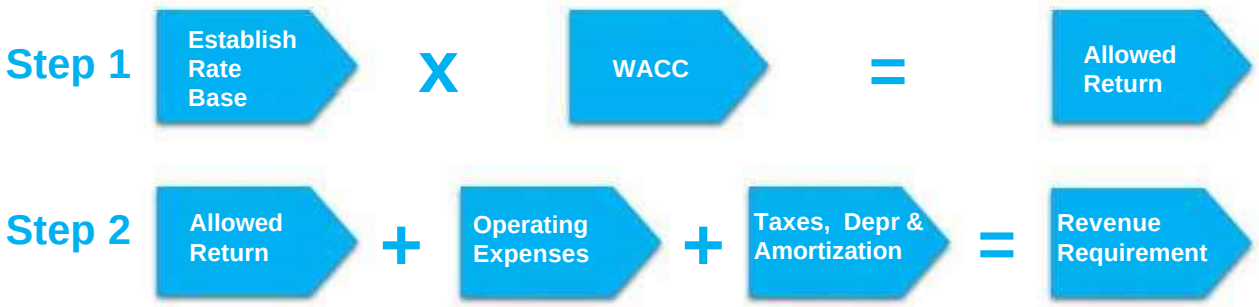
d) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.

e) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.

f) Interim rates were effective April 1, 2016 and received final Order May 24, 2017.

How American Water Grows Earnings: Rate of Return Regulation in the United States

Prudent Investment Drives Need for Rate Cases



American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

How O&M Efficiency Translates to Investment Growth

Saving $1 in opex vs investing $7 in capital at allowed ROE, keeps customer bills neutral and can create $0.35 in sustainable earnings

	$1 Expense Savings	> $7 Invested Capital
a) Revenue Requirement	$ 1.00	$ 1.00
Expenses		
O&M	0.96	$ -
Depreciation	-	$ 0.18 [2]
Interest Expense	-	$ 0.17 [3]
Property & General Taxes	0.04 [1]	$ 0.08 [4]
b) Total Expenses	1.00	$ 0.43
c) Operating Income (=a-b)	-	$ 0.57
d) Federal & State Income Taxes	-	$ 0.22 [5]
e) Net Income to Shareholder (=c-d)	$ -	$ 0.35 [6]

[1]Assumes 4% taxes on revenue (gross receipts e.g.)

[2]Assumes 2.5% depreciation expense

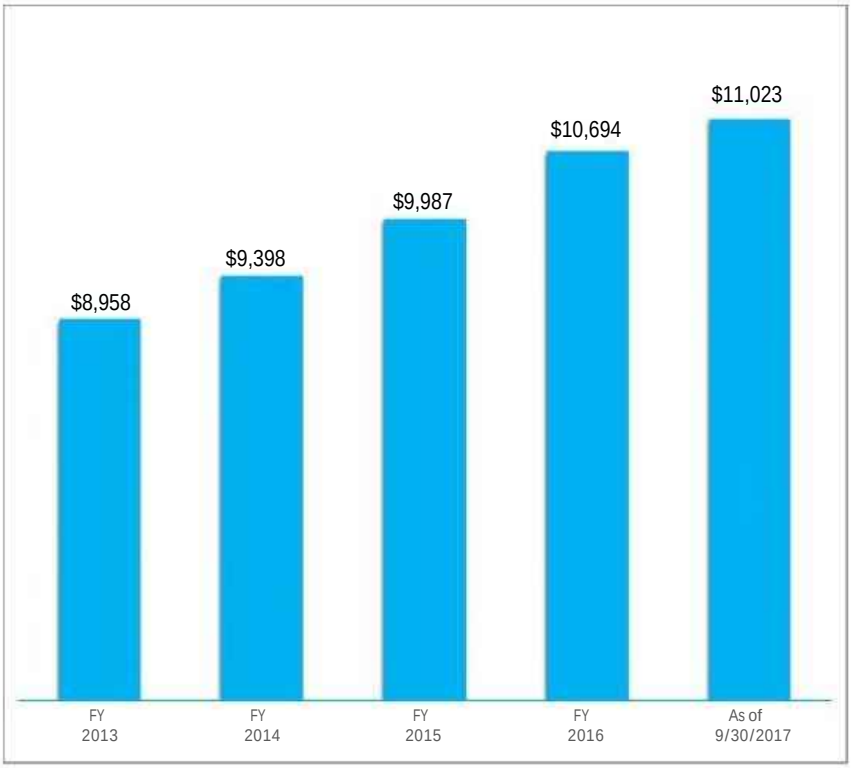
[3]Assumes 50.2% debt financing at 4.9%

[4]Assumes property taxes on invested capital of 0.5% and revenue taxes of 4%

[5]Assumes effective income tax rate of 39.2%

[6]Assumes authorized ROE of 9.9% on 49.8% equity

Rate Base Calculation*



Estimated Rate Base *		
($ in millions)		As of 9/30/2017
Net Utility Plant		$15,451
Less		
	Advances for Construction	279
	CIAC – Contributions in Aid of Construction	1,264
	Net Deferred income taxes	2,862
	Deferred investment tax credits	23
	Sub Total	$4,428
Rate Base	**TOTAL**	**$11,023**

* *An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes*

Reconciliation Tables: 2016 Earnings per Share & 2017 Guidance Range

Earnings per Share	Full Year 2016
Diluted earnings per share (GAAP):	
Net income attributable to common stockholders	$ 2.62
Non-GAAP adjustments:	
Impact of Freedom Industries Binding Global Agreement in Principle	0.36
Income tax impact	(0.14)
Net non-GAAP adjustment	0.22
Total net non-GAAP adjustments	0.22
Adjusted diluted earnings per share (non-GAAP)	$ 2.84

2017 Adjusted EPS Guidance Range	Low End	High End
Per Diluted Share:		
Narrowed earnings guidance range (GAAP)	$ 3.05	$ 3.11
Non-GAAP adjustments:		
Impact of Freedom Industries settlement activities	(0.12)	(0.12)
Income tax impact	0.05	0.05
Net non-GAAP adjustment	(0.07)	(0.07)
Early debt extinguishment at the parent company	0.03	0.03
Income tax impact	(0.01)	(0.01)
Net non-GAAP adjustment	0.02	0.02
Total net non-GAAP adjustments	$ (0.05)	$ (0.05)
Narrowed adjusted earnings guidance range (non-GAAP)	$ 3.00	$ 3.06

Closed and Pending Acquisitions as of November 30, 2017

2017 Closed Acquisitions

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	2	1,764	-	1,764
Indiana	1	1,300	-	1,300
Iowa	1	718	-	718
Illinois	3	700	120	820
Missouri	3	500	434	934
New Jersey	1	11,212	-	11,212
New York	5	360	-	360
West Virginia	1	215	-	215
Total	17	16,769	554	17,323

Pending Acquisitions

State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	4	8,629	-	8,629
Illinois	5	2,448	2,306	4,754
Indiana	2	6,165	-	6,165
Kentucky	1	610	-	610
Pennsylvania *	3	-	25,062	25,062
Missouri	4	176	192	368
Total	19	18,028	27,560	45,588

**This includes the McKeesport, PA acquisition, which represents 22,000 customers, due to bulk contracts. Connections to the system will be approximately 11,000.*

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Section 1: 8-K (CLOSING OF MCKEESPORT ACQUISITION)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 18, 2017

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01. Regulation FD.

On December 18, 2017, Pennsylvania-American Water Company ("PAWC"), a wholly owned subsidiary of American Water Works Company, Inc. (the "Company"), issued a press release announcing that PAWC has completed the acquisition (the "System Purchase") of the wastewater assets (the "System Assets") of The Municipal Authority of the City of McKeesport ("Seller") from Seller and the City of McKeesport (the "City").

A copy of the press release has been included as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference in response to this Item 7.01. A copy of an Acquisition Fact Sheet, dated December 18, 2017, to be used by the Company and PAWC in connection with discussions about the System Purchase, has been included as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated by reference in response to this Item 7.01.

The information furnished in response to this Item 7.01, including Exhibits 99.1 and 99.2, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall they be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01. Other Events.

On December 18, 2017, PAWC completed the System Purchase pursuant to the terms and conditions of that certain Asset Purchase Agreement, dated September 9, 2016, as amended, by and among PAWC, Seller and the City (the "Asset Purchase Agreement"). The System Assets are used to provide wastewater service to approximately 22,000 customers located in the City, the City of Duquesne, Port Vue Borough and the Borough of Dravosburg, including customers in communities that are parties to certain municipal service agreements as described in the Asset Purchase Agreement.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission (the "SEC") on February 21, 2017, and other filings with the SEC, and additional risks and uncertainties, including with respect to (1) the occurrence of the benefits and synergies expected or predicted to occur as a result of the completion of the System Purchase; (2) unexpected costs, liabilities or delays associated with the System Purchase or the integration of the System Assets; (3) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect PAWC; and (4) other economic, political, business and other factors.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company's annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's or PAWC's business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been furnished herewith:

Exhibit Number	Description
99.1	Press Release, dated December 18, 2017, issued by PAWC.
99.2	Acquisition Fact Sheet, dated December 18, 2017.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 18, 2017

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1 - PAWC PRESS RELEASE)

Exhibit 99.1

FOR IMMEDIATE RELEASE

CONTACT: Gary Lobaugh
Pennsylvania American Water
T: 724-873-3674
M: 724-944-5148
Gary.lobaugh@amwater.com

PENNSYLVANIA AMERICAN WATER CLOSES ACQUISITION OF MCKEESPORT WASTEWATER SYSTEM

First transaction completed under commonwealth's Fair Market Value legislation

MCKEESPORT, Pa. (December 18, 2017) – Pennsylvania American Water, a wholly owned subsidiary of American Water, announced today that it has completed the acquisition of the wastewater system assets of the Municipal Authority of the City of McKeesport (MACM). The purchase price is approximately $159 million.

The transaction marks the first acquisition completed under Pennsylvania's Act 12 of 2016, which allows municipalities to sell water and wastewater systems for a price based on the fair market value of the system.

"As the first finalized sale under Pennsylvania's Fair Market Value legislation, this acquisition establishes a strong example for other communities to consider," said Pennsylvania American Water President Jeffrey McIntyre. "Prior to the passage of Act 12, the depreciated cost of this system might have prevented the City of McKeesport from the opportunity for financial stability."

The MACM wastewater system provides service to approximately 22,000 customers, including those served under bulk contracts, in

13 municipalities in Allegheny County.

“The crux of this transaction is bringing financial stability to the City of McKeesport and saving our taxpayers from Act 47 municipal bankruptcy,” Mayor Michael Cherepko said. “When we think about it, the privatization of local sewage services truly makes sense. The City isn’t involved in other utility businesses - gas, electric, water - and this is a final step in providing consistent, regulated utility services to our community.”

The transaction’s closing follows a regulatory review and approval process by the U.S. Environmental Protection Agency (EPA), Pennsylvania Department of Environmental Protection (DEP), the Pennsylvania Public Utility Commission (PUC) and Allegheny County Health Department.

The PUC recognized Pennsylvania American Water’s ability to provide much needed investment in the system, enhanced customer service and assistance program for low-income customers when the commission approved the acquisition on October 26, 2017.

-more-

McIntyre added that long-term rate stability is one of the most important benefits for these wastewater customers. Under the purchase agreement, Pennsylvania American Water will not increase base wastewater rates any earlier than one calendar year after the closing. The company's rates are regulated by the PUC and any future rate changes would have to be reviewed and approved by the PUC.

He also pointed out that low-income wastewater customers in McKeesport are eligible to apply for assistance through Pennsylvania American Water's H2O Help to Others Program, which offers grants and discounts on bills for those customers who qualify.

All MACM workers who operate the wastewater system have been offered employment, subject to standard pre-employment screening. The employees gain immediate access to the training, development and career opportunities in any of the operations of Pennsylvania American Water or its parent company.

This acquisition adds to the company's series of municipal wastewater transactions. In 2016, Pennsylvania American Water acquired the wastewater assets of the Scranton Sewer Authority in Lackawanna County and the Borough of New Cumberland in Cumberland County.

Pennsylvania American Water now operates wastewater systems in Adams, Allegheny, Beaver, Chester, Clarion, Cumberland, Lackawanna, Monroe, Northumberland, Pike, Washington and York counties.

Pennsylvania American Water, a subsidiary of American Water (NYSE: AWK), is the largest water utility in the state, providing high-quality and reliable water and/or wastewater services to approximately 2.3 million people. Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. Marking its 130th anniversary this year, the company employs more than 6,700 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found at www.amwater.com.

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Section 3: EX-99.2 (EXHIBIT 99.2 - ACQUISITION FACT SHEET)

Exhibit 99.2

ACQUISITION FACT SHEET
DECEMBER 18, 2017

AMERICAN WATER

AMERICAN WATER: ACQUISITION OF McKEESPORT (PA) WASTEWATER SYSTEM

Acquisition Overview

- First acquisition utilizing Act 12 to close in Pennsylvania; consistent with state policy to promote use of fair market value for water and wastewater system acquisitions. Approved by PUC following stipulated settlement by all parties.
- Acquisition consistent with American Water's strategy to grow its regulated business by acquiring wastewater customers in areas where it already provides water services to customers.
- Purchase price of $159 million with approved rate base of $158M.
- Acquisition consistent with intent of Pennsylvania Act 11 legislation (facilitates needed investment in wastewater systems)
- Transaction expected to be EPS accretive in the first year after close (2018); with additional EPS growth expected.
- Recently completed $62 million expansion and upgrade project for the main treatment plant and related infrastructure to comply with more stringent state and federal wastewater treatment guidelines and to accommodate growth.
- American Water expects to finance this acquisition with debt allocated to Pennsylvania American Water.
- Will operate as a part of Pennsylvania American Water; all 44 Authority employees were offered employment

KEY FACTS	
Customers (including those served under bulk contracts)	22,000
Miles of collection & interceptor sewers	144
Treatment Plant Capacity (MGD)	62.5 (peak)
Employees	47

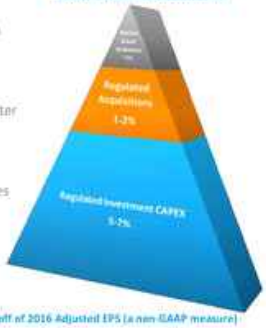
Acquisition Financing

- American Water has sufficient financing capacity to fund the transaction

Acquisition Strategy

- McKeesport transaction strengthens the company's position in wastewater sector and further demonstrates its capabilities
- Acquisition of customers adjacent to existing water footprint allows Pennsylvania American Water to achieve operating efficiencies
- As the largest regulated water and wastewater utility in the United States and Pennsylvania, this acquisition further increases scale, demonstrating American Water as the preferred partner for water and wastewater acquisitions.

2018 - 2022 Growth Plan *



* Anchored off of 2016 Adjusted EPS (a non-GAAP measure)

Service Area

- Expands PAWC service area in Southwestern part of the state
- MACM is adjacent to PAWC Mon-Valley operations, with some overlap in customer base
- Additional growth opportunity through regionalization of nearby systems and bulk treatment contracts

AMERICAN WATER

Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. Marking its 130th anniversary this year, the company employs more than 6,700 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found at www.amwater.com.

The Municipal Authority of the City of McKeesport was established in 1949 to provide wastewater treatment to the City. The Authority provided wastewater treatment for 8 surrounding municipalities under bulk contracts, resulting in service to a population of 64,000 people. The Authority will be dissolved as a result of this transaction.

"The crux of this transaction is bringing financial stability to the City of McKeesport and saving our taxpayers from Act 47 municipal bankruptcy. When we think about it, the privatization of local sewage services truly makes sense. The City isn't involved in other utility businesses – gas, electric, water – and this is a final step in providing consistent, regulated utility services to our community."

- Michael Cherepko, McKeesport Mayor

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this Acquisition Fact Sheet are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to, among other things, the source of financing for the acquisition; the determination of the final purchase price; the ability to achieve certain benefits relating to the transaction and the operations acquired; Pennsylvania American Water's ability to retain the employees of the acquired system; unexpected costs, liabilities or delays associated with the acquisition or the integration of the acquired assets; regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect PAWC; and other economic, political, business and other factors. These statements are based on the current expectations of management of Pennsylvania American Water. There are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements, which are disclosed in Pennsylvania American Water's press release dated December 18, 2017 and American Water's filings with the Securities and Exchange Commission (the "SEC"). Forward-looking statements are not guarantees or assurances of future performance or results, and American Water and Pennsylvania American Water do not undertake any duty to update any forward-looking statement. A reconciliation of 2016 Adjusted EPS to 2016 GAAP EPS and other related information may be found in American Water's Current Report on Form 8-K, as filed with the SEC on December 11, 2017.

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Section 1: 8-K (AWK-8K-20160930)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 2, 2016

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On November 2, 2016, the Company issued a press release announcing its financial results for the third quarter ended September 30, 2016. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been furnished herewith:

Exhibit	Description
99.1	Press Release, dated November 2, 2016, issued by American Water Works Company, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: November 2, 2016

By: /s/ Linda G. Sullivan
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
9.1*	Press Release, dated November 2, 2016, issued by American Water Works Company, Inc.

* Furnished herewith.

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

Nov. 2, 2016

Edward Vallejo
Vice President, Financial Planning and Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications and External Affairs
856-309-4546
maureen.duffy@amwater.com

AMERICAN WATER REPORTS THIRD QUARTER 2016 RESULTS

- **Third quarter 2016 GAAP diluted earnings per share was $0.83; adjusted diluted earnings per share was $1.05 (a non-GAAP measure), excluding the $0.22 per share impact of the Freedom Industries chemical spill binding global agreement in principle (the "Settlement")**
- **Revenue increased 3.8 percent to $930 million for the quarter**
- **Closed and pending regulated acquisitions represent the addition of 78,500 customers**
- **Narrowing and raising 2016 non-GAAP earnings guidance**

VOORHEES, N.J., Nov. 2, 2016 – American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter and nine months ended Sept. 30, 2016.

"American Water's employees delivered a strong quarter of business results," said Susan Story, President and CEO of American Water. "We continued to invest in our customers' critical water and wastewater infrastructure while improving operational efficiency to keep costs down. We continued our path to growth, with our closed and pending acquisitions representing the addition of 78,500 customers and we continued to provide solutions for local communities dealing with distressed water and wastewater systems.

"Also this week we reached a binding global agreement in principle for all consolidated claims arising from the 2014 Freedom Industries chemical spill in West Virginia, which we refer to as the Settlement. We firmly believe the suits brought against us are without merit and the Settlement is not an admission of liability or fault. It is in the best interests of our customers, our company, and especially our West Virginia employees, as it allows us to focus on serving our customers while reducing uncertainties and eliminating the distractions and potentially significant on-going expenses of federal and state litigation over the next several years.

“As a result of our performance to date, we are narrowing and raising our 2016 non-GAAP earnings guidance. If the Settlement charge of $0.22 per share is included in the range, our revised GAAP guidance is $2.59 - $2.64 per share. Our revised adjusted guidance without the Settlement is $2.81 - $2.86 per share, which is the upper end of our prior range, plus a penny.”

Consolidated Results

The company’s three and nine months ended results are included in the table below.

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2016	2015	% Change	2016	2015	% Change
Diluted earnings per share:						
Net income attributable to common stockholders	$ 0.83	$ 0.96	(13.5%)	$ 2.05	$ 2.09	(1.9%)
Plus						
Impact of Settlement	0.36	-		0.36	-	
Tax Impact	(0.14)	-		(0.14)	-	
Net Adjustment	0.22	-		0.22	-	
Adjusted diluted earnings per share:	$ 1.05	$ 0.96	9.4%	$ 2.27	$ 2.09	8.6%

Both the quarter and nine months' results were driven by continued growth in the Regulated Businesses from additional authorized revenue from investments, acquisitions and organic growth. Partially offsetting this was lower results in our Market-Based Businesses, mainly from lower capital upgrade revenue in the Military Services Group. On a GAAP basis, these results were partially offset by the $0.22 per diluted common share ("per share") net impact from the Settlement.

For the first nine months of 2016, the company made capital investments of approximately $905 million, which included $24 million for regulated acquisitions. The majority of the remaining $881 million was in regulated operations, primarily for pipes, plants, and other needed investments related to reliable service.

American Water plans to invest $1.4 billion to $1.5 billion across its footprint in 2016, with the majority to improve its water and wastewater systems. Included in this range for the full year 2016 are the acquisitions expected to close this year. Closed and pending acquisitions represent the addition of approximately 78,500 new customers to the American Water footprint. This includes the 10,700 customers already acquired in 2016. Pending acquisitions include the wastewater system of the Municipal Authority of the City of McKeesport, Pa. which represents some 22,000 customers, including customers served through bulk contracts. Pending acquisitions also include the wastewater collection and treatment assets of the Sewer Authority of the City of Scranton, Pa. with approximately 31,000 wastewater customers, and the acquisition of Shorelands Water Company in New Jersey with approximately 11,000 customers. This acquisition activity is in addition to organic growth of 10,000 customers as of Sept. 30, 2016.

On Oct. 31, 2016, a federal court in West Virginia approved the Settlement for all consolidated claims in both federal and state courts arising from the Freedom Industries chemical spill on Jan. 9, 2014. The Settlement is not an admission of any liability or fault on the part of our company or employees. The Settlement resulted in $65 million in expense that was recognized in the third quarter and impacted earnings per share, after tax, by $0.22. The federal court has given the parties 30 days to finalize the terms of the Settlement and to obtain that court's preliminary approval.

American Water has general liability insurance under a series of policies underwritten by a number of individual carriers. Two of these insurance carriers, which provide an aggregate of $50 million in insurance coverage, were requested, but presently have not agreed, to participate in the Settlement. The company and West Virginia American Water will vigorously pursue their rights to insurance coverage from these non-participating carriers for any contributions by West Virginia American Water to the Settlement. In this regard, West Virginia American Water has filed a lawsuit against one of these carriers alleging that the carrier's failure to agree to participate in the Settlement constitutes a breach of contract, and the company will pursue mandatory arbitration against the other non-participating carrier.

Regulated Businesses

For the third quarter 2016, net income for the Regulated Businesses was $152 million, compared to $174 million for the same period in 2015. Excluding the impact of the Settlement, adjusted net income (a non-GAAP financial measure) was $191 million, compared to $174 million for the same period in 2015. These results were driven by additional authorized revenue and surcharges to support infrastructure investments, acquisitions and organic growth. Partially offsetting increased revenue was higher operations and maintenance (O&M) expense of $8 million (not including the Settlement), and higher depreciation and amortization expense of $7 million from infrastructure investments. On a GAAP basis, these results were partially offset by the $65 million pre-tax expense impact of the Settlement.

For the nine months ended Sept. 30, 2016, net income was $374 million, compared to $377 million for the same period in 2015. Excluding the impact of the Settlement, net income is $413 million, compared to $377 million for the same period in 2015. These results were primarily attributable to revenue growth of $93 million, or 4.5 percent, resulting from infrastructure investments, acquisitions and organic growth, partially offset by higher depreciation and amortization expense of $22 million from infrastructure investments. On a GAAP basis, these results were partially offset by the $65 million pre-tax expense impact of the Settlement.

For the first nine months of 2016, the company received approximately $74 million in additional annualized authorized revenues from general rate cases, step increases, and infrastructure charges. Following the close of the third quarter, additional annualized revenue of $9 million resulting from infrastructure surcharges in our Pennsylvania subsidiary became effective on Oct. 1, 2016. As of Nov. 2, 2016, the company was

awaiting final orders or proposed settlements for general rate cases in five states, requesting approximately $97 million in total additional revenues, and $13 million in infrastructure charges. The extent to which requested rate increases will be granted by the applicable regulatory agencies will vary.

For the 12-month period ended Sept. 30, 2016, the adjusted O&M efficiency ratio (a non-GAAP financial measure) improved to 34.9 percent, compared to 35.8 percent for the 12-month period ended Sept. 30, 2015. By reducing O&M expense as a proportion of revenue, American Water is able to make investments in needed capital improvements without significantly impacting customer bills.

Market-based Businesses

For the third quarter of 2016, the Market-based Businesses reported $7 million in net income, down $5 million compared to the $12 million reported for the third quarter of 2015. Likewise, for the first nine months of the year, the Market-based businesses reported $26 million in net income, down $5 million compared to the $31 million reported for the first nine months of 2015. The majority of this decrease was from lower earnings associated with capital upgrades in the Military Services Group compared to the prior year, due to completion of certain large projects in mid-2016 and reduced military base infrastructure budgets in 2016.

Dividend Declared

On Oct. 28, 2016, American Water's board of directors declared a quarterly cash dividend payment of 37.5 cents per share of common stock, payable on Dec. 1, 2016, to all stockholders of record as of Nov. 9, 2016.

2016 Earnings Guidance

American Water is narrowing and raising its 2016 non-GAAP earnings guidance. If the Settlement charge of $0.22 per share is included in the range, the revised GAAP guidance is $2.59 - $2.64 per share. The revised adjusted guidance without the Settlement is $2.81 - $2.86 per share (a non-GAAP measure), which is the upper end of the prior range, plus a penny. The company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual and quarterly reports filed with the Securities and Exchange Commission (SEC).

Non-GAAP Financial Measures

This press release includes a presentation of adjusted earnings per share from continuing operations ("Adjusted EPS"), both as historical financial information and as earnings guidance. These items constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. Adjusted EPS is defined as GAAP diluted earnings per common share from continuing operations excluding the impact in the third quarter of 2016 of the Settlement. These non-GAAP financial measures supplement the company's GAAP disclosures and should not be considered an alternative to the GAAP measure.

Management believes that the presentation of these non-GAAP financial measures are useful to the company's investors because they provide an indication of the company's baseline performance excluding items that are not considered to be reflective of ongoing results. Management does not intend results excluding the adjustment to represent results as defined by GAAP, and the reader should not consider them as indicators of the company's performance. These items are derived from the company's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. The company's definition of Adjusted EPS may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use.

This press release includes a presentation of adjusted O&M efficiency ratio, which excludes from its calculation estimated purchased water revenues and purchased water expenses, the impact of the Settlement, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. This item constitutes a "non-GAAP financial measure" under SEC rules. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the company's GAAP disclosures and should not be considered an alternative to GAAP measure.

Management believes that the presentation of this measure is useful to investors because it provides a means of evaluating the company's operating performance without giving effect to items that are not reflective of management's ability to increase efficiency of the company's regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical performance, management relies, in part, on trends in the company's historical results, exclusive of estimated revenues and expenses related to purchased water and the allocable portion of non-O&M support services costs. The company's definition of this metric may not be comparable to the same or similar measures used by other companies, and, accordingly, this non-GAAP financial measure may have significant limitations on its use.

Set forth at the end of this release are tables that reconcile each non-GAAP financial measure to the most directly comparable GAAP financial measure.

Third Quarter 2016 Earnings Conference Call

The third quarter earnings 2016 conference call will take place on Thursday, Nov. 3, 2016, at 9 a.m. Eastern Daylight Time. Interested parties may listen to the conference call over the Internet by logging on to the Investor Relations page of the company's website at www.amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online. The company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, an audio archive of the call will be available through Nov. 10, 2016. U.S. callers may access the audio archive toll-free by dialing 1-877-344-7529. International callers may listen by dialing 1-412-317-0088. The access code for replay is 10094124. The online webcast will be available at American Water's investor relations homepage at http://ir.amwater.com through Dec. 3, 2016. After that, the archived webcast will be available for one year at http://ir.amwater.com.

About American Water

American Water is the largest and most geographically diverse publicly traded U.S. water and wastewater utility company. Marking its 130th anniversary this year, the company employs more than 6,700 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting www.amwater.com.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2016 earnings guidance, the outcome of pending acquisition activity, the amount of future capital investments, and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2015, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility regulations and policies; potential costs and liabilities of American Water for environmental and similar matters resulting from, among other things, the provision of water services to customers in the natural gas exploration and production market; the outcome of litigation and government action related to the Freedom Industries chemical spill in West Virginia, including matters pertaining to the Settlement; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water provided to its customers and attacks on, or infiltration of, its computer systems or other critical infrastructure; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with, or otherwise acquire, new customers in its Market-based Businesses, including with respect to the provision of water services to customers in the natural gas exploration and production market; cost overruns relating to improvements in or the expansion of its operations; our ability to maintain safe work sites; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; and civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events,

changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
In millions except per share data

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating revenues	$ 930	$ 896	$ 2,500	$ 2,376
Operating expenses:				
Operation and maintenance	432	364	1,131	1,024
Depreciation and amortization	119	111	350	327
General taxes	65	60	195	184
Gain on asset dispositions and purchases	(5)	-	(8)	(2)
Total operating expenses, net	611	535	1,668	1,533
Operating income	319	361	832	843
Other income (expenses):				
Interest, net	(81)	(77)	(242)	(228)
Other, net	5	3	14	9
Total other income (expenses)	(76)	(74)	(228)	(219)
Income from continuing operations before income taxes	243	287	604	624
Provision for income taxes	95	113	237	247
Net income attributable to common stockholders	$ 148	$ 174	$ 367	$ 377
Basic earnings per share:				
Net income attributable to common stockholders	$ 0.83	$ 0.97	$ 2.06	$ 2.10
Diluted earnings per share:				
Net income attributable to common stockholders	$ 0.83	$ 0.96	$ 2.05	$ 2.09
Weighted average common shares outstanding				
Basic	178	179	178	179
Diluted	178	180	179	180
Dividends declared per common share	$ 0.375	$ 0.34	$ 0.75	$ 0.68

American Water Works Company, Inc. and Subsidiary Companies
Condensed Consolidated Balance Sheets Information (Unaudited)
In millions

	September 30, 2016	December 31, 2015
Cash and cash equivalents	$ 46	$ 45
Other current assets	755	612
Property, plant and equipment, net	14,559	13,933
Total regulatory and other long-term assets	2,611	2,651
Total Assets	$ 17,971	$ 17,241
Short-term debt	$ 951	$ 628
Current portion of long-term debt	53	54
Other current liabilities	924	851
Total long-term debt	5,853	5,874
Total regulatory and other long-term liabilities	3,754	3,664
Contributions in aid of construction	1,198	1,121
Total common stockholders' equity	5,238	5,049
Total Capitalization and Liabilities	$ 17,971	$ 17,241

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)
In millions

	For the Twelve Months Ended September 30,	
	2016	2015
Total operation and maintenance expenses	$ 1,511	$ 1,369
Less:		
Operation and maintenance expenses—Market-Based Businesses	391	337
Operation and maintenance expenses—Other	(42)	(53)
Total operation and maintenance expenses—Regulated Businesses	1,162	1,085
Less:		
Regulated purchased water expenses	120	118
Allocation of non-operation and maintenance expenses	29	37
Impact of Settlement	65	-
Adjusted operation and maintenance expenses—Regulated Businesses (a)	$ 948	$ 930
Total operating revenues	$ 3,283	$ 3,108
Less:		
Operating revenues—Market-Based Businesses	464	409
Operating revenues—Other	(17)	(19)
Total operating revenues—Regulated Businesses	2,836	2,718
Less:		
Regulated purchased water revenues*	120	118
Adjusted operating revenues—Regulated Businesses (b)	$ 2,716	$ 2,600
Adjusted operation and maintenance efficiency ratio—Regulated Businesses (a)/(b)	34.9%	35.8%

* Calculation assumes purchased water revenues approximate purchased water expenses.

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Earnings Per Share (A Non-GAAP, unaudited measure)

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2016	2015	% Change	2016	2015	% Change
Diluted earnings per share:						
Net income attributable to common stockholders	$ 0.83	$ 0.96	(13.5%)	$ 2.05	$ 2.09	(1.9%)
Plus						
Impact of Settlement	0.36	-		0.36	-	
Tax Impact	(0.14)	-		(0.14)	-	
Net Adjustment	0.22	-		0.22	-	
Adjusted diluted earnings per share:	$ 1.05	$ 0.96	9.4%	$ 2.27	$ 2.09	8.6%

American Water Works Company, Inc. and Subsidiary Companies
Revised Adjusted Earnings Guidance (A Non-GAAP, unaudited measure)

	2016	
	Low End	**High End**
Revised Earnings Guidance, GAAP	$ 2.59	$ 2.64
Plus		
Impact of the Settlement	0.36	0.36
Tax Impact	(0.14)	(0.14)
Revised Adjusted Earnings Guidance	$ 2.81	$ 2.86

###

Section 1: 8-K (FORM 8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 14, 2016

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

Each of American Water Works Company, Inc.'s and American Water Capital Corp.'s Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends for the fiscal years ended December 31, 2011, December 31, 2012, December 31, 2013, December 31, 2014 and December 31, 2015 and the nine months ended September 30, 2016, is attached hereto as Exhibit 99.1 hereto and is incorporated by reference into this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit has been filed herewith:

Exhibit No.	Description of Exhibit
99.1	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: November 14, 2016

By: /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
99.1*	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.

* Filed herewith.

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

American Water Works Company, Inc.
Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
(dollars in millions)

	2011	2012	2013	2014	2015	For the nine months ended September 30, 2016
Income from continuing operations before income taxes	$ 502	$ 630	$ 608	$ 710	$ 782	$ 604
Fixed Charges:						
Interest, dividend on mandatory redeemable preferred shares and amortization of debt discount and expenses and premium on all indebtedness	322	317	315	305	316	247
Interest factor in rentals	11	10	8	7	7	6
Interest costs from discontinued operations	2	—	—	—	—	—
Total fixed charges	335	327	323	312	323	253
Income from continuing operations plus fixed charges	837	957	931	1,022	1,105	857
Preferred dividend requirements	—	—	—	—	—	—
Ratio of pre-tax income to net income	1.66	1.69	1.64	1.65	1.64	1.65
Preferred dividend factor	—	—	—	—	—	—
Total fixed charges	335	327	323	312	323	253
Total fixed charges and preferred dividends	335	327	323	312	323	253
Ratio of earnings to combined fixed charges and preferred dividends	**2.50**	**2.93**	**2.88**	**3.27**	**3.42**	**3.39**

American Water Capital Corp.
Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
(dollars in millions)

	2011	2012	2013	2014	2015	For the nine months ended September 30, 2016
Income (loss) before income taxes	$ —	$ —	$ —	$ —	$ —	$ —
Fixed Charges:						
Interest, dividend on mandatory redeemable preferred shares and amortization of debt discount and expenses and premium on all indebtedness	212	214	226	215	229	184
Total fixed charges	212	214	226	215	229	184
Income (loss) plus fixed charges	212	214	226	215	229	184
Total fixed charges	212	214	226	215	229	184
Total fixed charges and preferred dividends (a)	212	214	226	215	229	184
Ratio of earnings to combined fixed charges and preferred dividends	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

(a) American Water Capital Corp. had no preferred stock outstanding for any period presented, and, accordingly, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

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Section 1: 8-K (AWK-8K-CLOSING OF OFFERING)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 14, 2016

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

On November 17, 2016, American Water Capital Corp. ("AWCC"), a wholly owned subsidiary of American Water Works Company, Inc. ("American Water"), sold $250 million aggregate principal amount of its 3.000% Senior Notes due 2026 (the "2026 Notes") and $300 million aggregate principal amount of its 4.000% Senior Notes due 2046 (the "2046 Notes", and, together with the 2026 Notes, the "Notes")) pursuant to an Underwriting Agreement dated November 14, 2016, among AWCC, American Water, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Securities USA Inc., RBC Capital Markets, LLC and TD Securities (USA) LLC, as representatives of the several underwriters named therein. The Notes have the benefit of a support agreement from American Water (the "Support Agreement").

The Notes and the obligations of American Water represented by the Support Agreement were registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-3 (File Nos. 333-203949-01 and 333-203949). At the closing of the offering, the Company received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $541.8 million. AWCC intends to use such net proceeds to lend funds to American Water and its regulated operating subsidiaries, to make repayments of AWCC's commercial paper obligations, and for general corporate purposes.

The Notes were issued pursuant to the Indenture, dated December 4, 2009, by and between AWCC and Wells Fargo Bank, National Association, as trustee, as supplemented by officers' certificates establishing the terms of the Notes.

This Current Report on Form 8-K is being filed to report the closing of the offering summarized herein and to include, as exhibits, certain documents executed in connection with the sale of the Notes.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been filed herewith:

xhibit No.	**Description of Exhibit**
.1	Underwriting Agreement, dated November 14, 2016, by and among AWCC, American Water, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Securities USA Inc., RBC Capital Markets, LLC and TD Securities (USA) LLC, as representatives of the several underwriters named therein.
.1	Officers' Certificate of AWCC, dated November 17, 2016, establishing the terms and authorizing the issuance of the 2026 Notes.
.2	Officers' Certificate of AWCC, dated November 17, 2016, establishing the terms and authorizing the issuance of the 2046 Notes.
.1	Opinion of Morgan, Lewis & Bockius LLP.
3.1	Consent of Morgan, Lewis & Bockius LLP (included in Exhibit 5.1).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: November 17, 2016

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
.1*	Underwriting Agreement, dated November 14, 2016, by and among AWCC, American Water, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Securities USA Inc., RBC Capital Markets, LLC and TD Securities (USA) LLC, as representatives of the several underwriters named therein.
.1*	Officers' Certificate of AWCC, dated November 17, 2016, establishing the terms and authorizing the issuance of the 2026 Notes.
.2*	Officers' Certificate of AWCC, dated November 17, 2016, establishing the terms and authorizing the issuance of the 2046 Notes.
.1*	Opinion of Morgan, Lewis & Bockius LLP.
3.1*	Consent of Morgan, Lewis & Bockius LLP (included in Exhibit 5.1).

* Filed herewith.

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Section 2: EX-1.1 (EX-1.1 UNDERWRITING AGREEMENT)

Exhibit 1.1

EXECUTION VERSION

American Water Capital Corp.
1025 Laurel Oak Road
Voorhees, New Jersey 08043

$250,000,000 3.000% Senior Notes due 2026
$300,000,000 4.000% Senior Notes due 2046

Support Agreement from American Water Works Company, Inc.

Underwriting Agreement

November 14, 2016

Merrill Lynch, Pierce, Fenner & Smith
Incorporated,
Mizuho Securities USA Inc.,
RBC Capital Markets, LLC, and
TD Securities (USA) LLC,
As representatives of the several Underwriters
named in Schedule I hereto
c/o Mizuho Securities USA Inc.
320 Park Avenue
New York, New York 10022

Ladies and Gentlemen:

1. American Water Capital Corp., a Delaware corporation (the "**Company**"), proposes, subject to the terms and conditions stated herein, to issue and sell to the underwriters named in Schedule I hereto (the "**Underwriters**"), for whom you (the "**Representatives**") are acting as representatives, (a) an aggregate of $250,000,000 principal amount of the Company's 3.000% Senior Notes due 2026 (the "**2026 Notes**") and (b) an aggregate of $300,000,000 principal amount of the Company's 4.000% Senior Notes due 2046 (the "**2046 Notes**" and, together with the 2026 Notes, the "**Securities**").

2. The Company previously entered into a support agreement with American Water Works Company, Inc., a Delaware corporation (the "**Parent**"), dated June 22, 2000 and amended as of July 26, 2000 (as

such agreement may be hereinafter amended, modified or supplemented from time to time in accordance with the terms and provisions thereof, the "**Support Agreement**"). Pursuant to the Support Agreement, the Parent has agreed, among other things, to provide funds to the Company if it is unable to make timely payment of

principal of and premium, if any, and interest on Debt (as defined in the Support Agreement) issued by the Company.

3. The Company and the Parent, jointly and severally, represent and warrant to, and agree with, each of the Underwriters that:

(a) An "automatic shelf registration statement" as defined under Rule 405 under the Securities Act of 1933, as amended (the "**Act**"), on Form S-3 (File Nos. 333-203949 and 333-203949-01) in respect of the Securities has been filed with the Securities and Exchange Commission (the "**Commission**") not earlier than three years prior to the date hereof; such registration statement, and any post-effective amendment thereto, each in a form heretofore delivered to the Representatives, became effective on filing; and no stop order suspending the effectiveness of such registration statement or any part thereof has been issued and, to the Parent's or the Company's knowledge, no proceeding for that purpose has been initiated or threatened by the Commission, and no notice of objection of the Commission to the use of such registration statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act has been received by the Parent or the Company (the base prospectus filed as part of such registration statement, in the form in which it has most recently been filed with the Commission on or prior to the date of this Agreement, is hereinafter called the "**Basic Prospectus**"; any preliminary prospectus (including any preliminary prospectus supplement) relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act is hereinafter called a "**Preliminary Prospectus**"; the various parts of such registration statement, including all exhibits thereto but excluding the Form T-1 and including any prospectus supplement relating to the Securities that is filed with the Commission and deemed by virtue of Rule 430B to be part of such registration statement, each as amended at the time such part of the registration statement became effective, are hereinafter collectively called the "**Registration Statement**"; the Basic Prospectus, as amended and supplemented immediately prior to the Applicable Time (as defined in Section 3(c) hereof), is hereinafter called the "**Pricing Prospectus**"; the final prospectus relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 7(a) hereof is hereinafter called the "**Prospectus**"; any reference herein to the Basic Prospectus, the Pricing Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of such prospectus; any reference to any amendment or supplement to the Basic Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any post-effective amendment to the Registration Statement, any prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act and any documents filed under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and incorporated therein, in each case after the date of the Basic Prospectus, such Preliminary Prospectus, or the Prospectus, as the case may be; any

reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any "issuer free writing prospectus" as defined in Rule 433 under the Act relating to the Securities is hereinafter called an "**Issuer Free Writing Prospectus**");

(b) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission. Each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"), and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, *however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Representatives expressly for use therein (the "**Underwriter Information**");

(c) For the purposes of this Agreement, the "**Applicable Time**" is 4:00 p.m. (Eastern time) on the date of this Agreement. The Pricing Prospectus, as supplemented by the final term sheet prepared and filed pursuant to Section 7(a) hereof, taken together (collectively, the "**Pricing Disclosure Package**"), as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Free Writing Prospectus listed on Schedule II hereto does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each such Issuer Free Writing Prospectus, taken together with the Pricing Disclosure Package as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however,* that the representations and warranties in this clause (c) shall not apply to statements or omissions made in an Issuer Free Writing Prospectus in reliance upon and in conformity with the Underwriter Information;

(d) The documents incorporated by reference in the Pricing Prospectus and the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material

fact required to be stated therein or necessary to make the statements therein not misleading; any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however,* that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(e) The interactive data in eXtensible Business Reporting Language filed as exhibits to the reports included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto;

(f) (i) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder and (ii) the Registration Statement and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus do not and will not, as of the applicable effective date as to each part of the Registration Statement and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however,* that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(g) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, (A) none of the Parent, the Company or any of the Parent's other subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and, which could reasonably be expected to, in each case, individually or in the aggregate, have a material adverse effect on the financial condition, stockholders' equity, properties or results of operations of the Parent, the Company and the Parent's other subsidiaries, taken as a whole (a "**Material Adverse Effect**"); and (B) no labor dispute with the employees of the Parent, the Company or any of the Parent's other subsidiaries exists or, to the knowledge of the Company or the Parent, is imminent, which could reasonably

be expected to result in a Material Adverse Effect; and (ii) since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, otherwise than as set forth or contemplated in the Pricing Prospectus, there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Parent or increase in consolidated long-term debt of the Parent and its consolidated subsidiaries, or (B) any change, or any development involving a prospective change, in or affecting the general affairs or management, otherwise than as set forth or contemplated in the Pricing Prospectus, that could reasonably be expected to have a Material Adverse Effect;

(h) The Parent, the Company and each of the Parent's other subsidiaries has good and sufficient title to all real property and personal property owned by them sufficient for the conduct of their respective businesses, in each case free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus or such as do not affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Parent, the Company and each of the Parent's other subsidiaries except, in each case, as would not, individually or in the aggregate, have a Material Adverse Effect; and any real property and buildings held under lease by the Parent, the Company and each of the Parent's other subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Parent, the Company and each of the Parent's other subsidiaries, otherwise than as set forth or contemplated in the Pricing Prospectus or as would not, individually or in the aggregate, have a Material Adverse Effect;

(i) Each of the Parent and the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, have a Material Adverse Effect; and each subsidiary of the Parent listed on Schedule IV hereto (each a "**Significant Subsidiary**") has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, except where the failure to be in good standing would not, individually or in the aggregate, have a Material Adverse Effect;

(j) All of the issued shares of capital stock of the Parent and the Company have been duly and validly authorized and issued and are fully paid and non-assessable; and all of the issued shares of capital stock of each

Significant Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and (except for directors' qualifying shares and except as otherwise set forth in the Pricing Prospectus) are owned directly or indirectly by the Parent, free and clear of all liens, encumbrances, equities or claims, except for liens, encumbrances, equities or claims that would not, individually or in the aggregate, have a Material Adverse Effect;

(k) This Agreement has been duly authorized, executed and delivered by each of the Company and the Parent; the Securities have been duly authorized and, when issued and delivered pursuant to this Agreement, will have been duly executed, authenticated, issued and delivered and will constitute valid and legally binding obligations of the Company entitled to the benefits provided by the indenture, dated as of December 4, 2009 (the "**Indenture**"), between the Company and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**"), under which they are to be issued; the Indenture has been duly authorized, executed and delivered by the Company and duly qualified under the Trust Indenture Act and constitutes a valid and legally binding instrument, enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles; the Support Agreement has been duly authorized, executed and delivered by the Parent and the Company and constitutes a valid and legally binding instrument, enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles; and the Securities, the Indenture and the Support Agreement will conform to the descriptions thereof in the Pricing Prospectus and the Prospectus and will be in substantially the form previously delivered to you;

(l) None of the transactions contemplated by this Agreement (including, without limitation, the use of the proceeds from the sale of the Securities) will violate or result in a violation of Section 7 of the Exchange Act, or any regulation promulgated thereunder, including, without limitation, Regulations T, U, and X of the Board of Governors of the Federal Reserve System;

(m) The issue and sale of the Securities and the compliance by the Parent and the Company with all of the provisions of the Securities, the Indenture, the Support Agreement and this Agreement and the consummation of the transactions herein and therein contemplated (i) will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Parent, the Company or any of the Parent's other subsidiaries is a party or by which the Parent, the Company or any of the Parent's other subsidiaries is bound or to which any of the property or assets of the Parent, the Company or any of the Parent's other subsidiaries is subject, and (ii) will not result in any violation of (A) the provisions of the

Certificate of Incorporation or the By-laws, as amended, of the Company or the Restated Certificate of Incorporation or the Amended and Restated Bylaws of the Parent or (B) any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Parent, the Company or any of the Parent's other subsidiaries or any of their properties, except in the case of clauses (i) and (ii)(B) for any conflict, breach, violation or default that would not, individually or in the aggregate, have a Material Adverse Effect or impair the ability of the Parent or the Company to consummate the transactions contemplated by this Agreement; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities or the consummation by the Parent or the Company of the transactions contemplated by this Agreement, the Indenture, or the Support Agreement, except (i) the registration under the Act of the Securities, (ii) such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters and (iii) such consents, approvals, authorizations, orders, registrations or qualifications that have already been obtained or the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or impair the ability of the Parent or the Company to consummate the transactions contemplated by this Agreement;

(n) None of the Parent, the Company or any of the Parent's other subsidiaries is (A) in violation of its Certificate of Incorporation or By-laws, as amended, in the case of the Company, or its Restated Certificate of Incorporation or Amended and Restated Bylaws, in the case of the Parent, or similar organizational documents, in the case of the Parent's other subsidiaries, or (B) in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or to which it or any of its properties is subject, except in the case of clause (A) (with respect to subsidiaries of the Parent other than the Company and the Significant Subsidiaries) and clause (B), for violations or defaults that would not, individually or in the aggregate, have a Material Adverse Effect;

(o) The statements set forth in the Pricing Prospectus and Prospectus under the captions "Description of the Notes" and "Description of AWCC Debt Securities and American Water Support Agreement", insofar as they purport to constitute a summary of the terms of the Securities, under the caption "Underwriting", insofar as they purport to describe the provisions of the documents described therein, and under the caption "Certain United States Federal Income Tax Considerations", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects;

(p) Other than as set forth in the Pricing Prospectus, there are no legal or governmental proceedings pending to which the Parent, the Company or any of the Parent's other subsidiaries is a party or of which any property of the Parent, the Company or any of the Parent's other subsidiaries is the subject which would reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect; and, to the best of the Company's and the Parent's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(q) Neither the Parent nor the Company is or, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof, will be an "investment company", as such term is defined in the Investment Company Act of 1940, as amended (the "**Investment Company Act**");

(r) (A) (i) At the time of filing the Registration Statement, (ii) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), and (iii) at the time the Parent or the Company or any person acting on the Parent's or the Company's behalf (within the meaning, for this clause only, of Rule 163(c) under the Act) made any offer relating to the Securities in reliance on the exemption of Rule 163 under the Act, the Parent and the Company were each a "well-known seasoned issuer" as defined in Rule 405 under the Act; and (B) at the earliest time after the filing of the Registration Statement that the Parent or the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Securities, neither the Parent nor the Company was an "ineligible issuer" as defined in Rule 405 under the Act;

(s) PricewaterhouseCoopers LLP, which has certified certain financial statements of the Parent and its subsidiaries, is an independent registered public accounting firm with respect to the Parent and its subsidiaries as required by the Act and the rules and regulations of the Commission thereunder;

(t) Except as disclosed in the Pricing Prospectus, the Parent maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that complies in all material respects with the requirements of the Exchange Act and has been designed by the Parent's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Except as disclosed in the Pricing Prospectus, the Parent's internal control over financial reporting is effective and the Parent is not aware of any material weaknesses in its internal control over financial reporting;

(u) Except as disclosed in the Pricing Prospectus, since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, there has been no change in the Parent's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Parent's internal control over financial reporting;

(v) The Parent maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply in all material respects with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Parent, the Company and each of the Parent's other subsidiaries is made known to the Parent's principal executive officer and principal financial officer by others within those entities; and, except as disclosed in the Pricing Prospectus, such disclosure controls and procedures are effective;

(w) The Parent, the Company and each of the Parent's other subsidiaries possess all permits, licenses, franchises, authorizations, registrations, qualifications and approvals of governmental or regulatory authorities as may be required of them to own their properties and conduct their businesses in the manner described in the Pricing Prospectus (collectively, "**Permits**"), except where the failure to possess such Permits would not, individually or in the aggregate, have a Material Adverse Effect; and the Parent, the Company and each of the Parent's other subsidiaries have fulfilled and performed all of their obligations with respect to such Permits required to have been performed, and no event has occurred which allows or, after notice or lapse of time or both, would allow revocation or termination thereof or result in any other material impairment of the rights of the holder of any such Permit, except, in each case, as disclosed in the Pricing Prospectus or would not, individually or in the aggregate, have a Material Adverse Effect;

(x) To the Parent's and the Company's knowledge, the Parent, the Company and each of the Parent's other subsidiaries own, possess or have the right to employ sufficient patents, patent rights, licenses, inventions, copyrights, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, software, systems or procedures), trademarks, service marks and trade names, inventions, computer programs, technical data and information (collectively, the "**Intellectual Property Rights**") reasonably necessary to conduct their businesses as now conducted, except where the failure to own, possess or have the right would not, individually or in the aggregate, have a Material Adverse Effect. None of the Parent, the Company or any of the Parent's other subsidiaries has received any notice of infringement or conflict with asserted rights of others with respect to any of the Intellectual Property Rights, whether or not arising from transactions in the ordinary course of business, except for such infringements or conflicts that would not, individually or in the aggregate, have a Material Adverse Effect. To the Parent's and the Company's knowledge, the use of the Intellectual Property

Rights in connection with the business and operations of the Parent, the Company and each of the Parent's other subsidiaries does not infringe on the rights of any person;

(y) Except as disclosed in the Pricing Prospectus, or as would not, individually or in the aggregate, have a Material Adverse Effect, none of the Parent, the Company or any of the Parent's other subsidiaries (i) is in violation of any law, statute, or any rule, regulation, decision or order of any governmental agency or body or any court relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**Environmental Laws**"), (ii) owns or operates any real property which, to the Parent's or the Company's knowledge, is contaminated with any substance that is regulated under any Environmental Laws, (iii) is, to the Parent's or the Company's knowledge, liable for any off-site disposal or contamination pursuant to any Environmental Laws, or (iv) has received any written notice of any claim under any Environmental Laws, and the Parent and the Company are not aware of any pending investigation which could reasonably be expected to lead to such a claim;

(z) The Parent, the Company and each of the Parent's other subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are, in management's judgment, prudent and customary in the businesses in which they are engaged; within the past five years, none of the Parent, the Company or any such subsidiary has been refused any insurance coverage sought or applied for; and none of the Parent, the Company or any such other subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not, individually or in the aggregate, have a Material Adverse Effect, except, in each case, as set forth in or contemplated in the Pricing Prospectus;

(aa) Neither the Parent nor the Company has taken or will take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities;

(bb) The Parent is in compliance in all material respects with all provisions of the Sarbanes-Oxley Act of 2002 that are effective and applicable to the Parent as of the date hereof;

(cc) The Parent, the Company and each of the Parent's other subsidiaries have filed all federal, state and foreign tax returns, or have filed for extensions of the due dates of such returns, required to be filed and have paid all taxes shown as due thereon except where the failure to so file such returns

would not, individually or in the aggregate, have a Material Adverse Effect; and other than tax deficiencies which the Parent, the Company or any of the Parent's other subsidiaries is contesting in good faith and for which the Parent, the Company or any of the Parent's other subsidiaries has provided adequate reserves, there is no tax deficiency that has been asserted in writing against the Parent, the Company or any of the Parent's other subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect; and the United States federal income tax returns of the Parent, the Company and each of the Parent's other subsidiaries through the fiscal year ended December 31, 2012 have been settled and no assessment in connection therewith has been made against the Parent, the Company or any of the Parent's other subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect;

(dd) None of the Company, the Parent, any of the Parent's other subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company, the Parent, or any of the Parent's other subsidiaries is aware of or has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment.

(ee) The operations of the Company, the Parent and each of the Parent's other subsidiaries are and have been conducted at all times in compliance in all material respects with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company, the Parent, or any of the Parent's other subsidiaries with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened; and

(ff) None of the Company, the Parent, any of the Parent's other subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company, the Parent, or any of the Parent's other subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds, to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

Any certificate signed by any authorized officer of the Parent or the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by the Parent or the Company, as the case may be, as to matters covered thereby, to each Underwriter.

4. Subject to the terms and conditions herein set forth, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, (a) at a purchase price of 99.168% of the principal amount thereof, including accrued interest, if any, from November 17, 2016 to the Time of Delivery (as defined in Section 6(a)), the principal amount of the 2026 Notes set forth opposite the name of such Underwriter in Schedule I hereto and (b) at a purchase price of 98.293% of the principal amount thereof, including accrued interest, if any, from November 17, 2016 to the Time of Delivery), the principal amount of the 2046 Notes set forth opposite the name of such Underwriter in Schedule I hereto.

5. Upon the authorization by the Company of the release of the Securities, the several Underwriters propose to offer the Securities for sale upon the terms and conditions set forth in the Prospectus.

6. (a) Each series of Securities to be purchased by each Underwriter hereunder will be represented by one or more definitive global securities in book-entry form which will be deposited by or on behalf of the Company with The Depository Trust Company ("**DTC**") or its designated custodian. The Company will deliver the Securities to the Representatives, for the account of the Underwriters, against payment by or on behalf of the Underwriters of the purchase price therefor by wire transfer of Federal (same day) funds, by causing DTC to credit the Securities to the account of the Representatives at DTC. The Company will cause forms of the certificates representing the Securities to be made available to the Representatives for checking at least twenty-four hours prior to the Time of Delivery hereunder at the office of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004 (the "**Closing Location**"). The time and date of such delivery and payment shall be 9:30 a.m., Eastern time, on November 17, 2016 or such other time and date as the Representatives and the Company may agree upon in writing. Such time and date is herein called the "**Time of Delivery**".

(b) The documents to be delivered at the Time of Delivery by or on behalf of the parties hereto pursuant to Section 10 hereof, including the cross receipt for the Securities and any additional documents requested by the Underwriters pursuant to Section 10 hereof, will be delivered at the Closing Location, and the Securities will be delivered through the facilities of DTC, all at the Time of Delivery. A meeting will be held at the Closing Location at 2:00 p.m., Eastern time, on the New York Business Day next preceding the Time of Delivery, at which meeting the final drafts of the documents to be

delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Agreement, "**New York Business Day**" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

7. Each of the Parent and the Company, jointly and severally, agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement and to make no further amendment or any supplement to the Registration Statement, the Basic Prospectus or the Prospectus prior to the Time of Delivery without the consent of the Representatives promptly after reasonable notice thereof (which consent shall not be unreasonably withheld); to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish the Representatives with copies thereof; to prepare a final term sheet, containing solely a description of the Securities, in a form substantially consistent with Schedule III hereto and to file such term sheet pursuant to Rule 433(d) under the Act within the time required by such Rule; to file promptly all other material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act; to file promptly all reports and any definitive proxy or information statements required to be filed by the Parent or the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required in connection with the offering or sale of the Securities; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Securities, of any notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order; and in the event of any such issuance of a notice of objection, promptly to take such steps including, without limitation, amending the Registration Statement or filing a new registration statement, at its own expense, as may be

necessary to permit offers and sales of the Securities by the Underwriters (references herein to the Registration Statement shall include any such amendment or new registration statement);

(b) If by the third anniversary (the "**Renewal Deadline**") of the initial effective date of the Registration Statement, any of the Securities remain unsold by the Underwriters, the Parent will file, if it has not already done so and is eligible to do so, a new automatic shelf registration statement relating to the Securities, in a form satisfactory to the Representatives. If at the Renewal Deadline the Parent is no longer eligible to file an automatic shelf registration statement, the Parent will, if it has not already done so, file a new shelf registration statement relating to the Securities, in a form satisfactory to the Representatives and will use its best efforts to cause such registration statement to be declared effective within 180 days after the Renewal Deadline. The Parent will take all other action necessary or appropriate to permit the public offering and sale of the Securities to continue as contemplated in the expired registration statement relating to the Securities. References herein to the Registration Statement shall include such new automatic shelf registration statement or such new shelf registration statement, as the case may be;

(c) Promptly from time to time to take such action as the Representatives may reasonably request to qualify the Securities for offering and sale under the securities laws of such U.S. jurisdictions as the Representatives may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Securities; *provided* that in connection therewith neither the Parent nor the Company shall be required to qualify as a foreign corporation or to file a general consent to service of process or subject itself to taxation for doing business in any jurisdiction;

(d) To use reasonable efforts to furnish to the Underwriters as soon as practicable after the date of this Agreement but no later than 5:30 p.m., Eastern time, on the second New York Business Day immediately succeeding the date of this Agreement and from time to time, with printed and electronic copies of the Prospectus in such quantities as the Representatives may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is, based on advice of counsel, required at any time during the period from the time of issue of the Prospectus until the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Securities and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus or to file

under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, to notify the Representatives and upon the request of the Representatives to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many printed and electronic copies as the Representatives may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales of any of the Securities at any time nine months or more after the time of issue of the Prospectus, upon the request of the Representatives but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many printed and electronic copies as the Representatives may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(e) To make generally available to its securityholders as soon as practicable, but in any event not later than sixteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Parent and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Parent, Rule 158);

(f) During the period beginning from the date hereof and continuing until the Time of Delivery, not to offer, sell, contract to sell, or otherwise dispose of, except as provided hereunder, any securities of the Parent or the Company that are substantially similar to the Securities without the Representatives' prior written consent;

(g) To take all reasonable action necessary to enable Standard & Poor's Ratings Services, a division of Standard & Poor's Financial Services, LLC, and Moody's Investors Service Inc. to provide their respective credit ratings of the Securities;

(h) During a period of three years from the effective date of the Registration Statement, to furnish to the holders of the Securities as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Parent and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to the holders of the Securities consolidated summary financial information of the Parent and its subsidiaries for such quarter in reasonable detail; *provided, however*, that the Parent and the Company may satisfy the requirements of this subsection by making any such reports, communications or information available on its web

site or by filing such information with the Commission via EDGAR or any successor filing system thereto;

(i) During a period of three years from the effective date of the Registration Statement, to furnish to the Representatives copies of all reports or other communications (financial or other) furnished to the holders of the Securities, and to deliver to the Representatives as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Parent or the Company is listed; *provided*, *however*, that the Parent and the Company may satisfy the requirements of this subsection by making any such reports, communications or information available on its web site or by filing such information with the Commission via EDGAR or any successor filing system thereto;

(j) To use the net proceeds received by it from the sale of the Securities pursuant to this Agreement in the manner specified in the Pricing Prospectus under the caption “Use of Proceeds”;

(k) To pay the required Commission filing fees relating to the Securities within the time required by Rule 456(b)(1) under the Act without regard to the proviso therein and otherwise in accordance with Rules 456 (b) and 457(r) under the Act; and

(l) Upon request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Parent’s trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Securities (the “**License**”); *provided*, *however*, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred.

8. (a) (i) Each of the Parent and the Company represents and agrees that, other than the final term sheet in a form substantially consistent with Schedule III hereto and filed pursuant to Section 7(a) hereof, without the prior written consent of the Representatives, it has not made and will not make any offer relating to the Securities that would constitute a “free writing prospectus” as defined in Rule 405 under the Act; (ii) each Underwriter represents and agrees that, without the prior written consent of the Company, other than one or more term sheets relating to the Securities substantially consistent with Schedule III hereto, containing no “issuer information” (as defined in Rule 433(h)(2) under the Act) that was not included in the Preliminary Prospectus or Pricing Prospectus, it has not made and will not make any offer relating to the Securities that would constitute a free writing prospectus; and (iii) any such free writing prospectus the use of which has been consented to by the Company and the Representatives is listed on Schedule II hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show; and

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus any event occurred or occurs as a result of which such Issuer Free Writing Prospectus would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or, when taken together with the Pricing Prospectus, would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representatives and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus or other document which will correct such conflict, statement or omission; *provided, however,* that this representation and warranty shall not apply to any statements or omissions in an Issuer Free Writing Prospectus made in reliance upon and in conformity with the Underwriter Information.

9. Each of the Parent and the Company covenants and agrees with the several Underwriters that the Parent and the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Parent's and the Company's counsel and accountants in connection with the registration of the Securities under the Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any agreement among Underwriters, this Agreement, the Indenture, the Support Agreement, any Blue Sky survey, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iii) all expenses in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 7(c) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with any Blue Sky survey; (iv) any fees charged by securities rating services for rating the Securities; (v) the cost of preparing the Securities; (vi) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with the Indenture, the Securities and the Support Agreement; and (vii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section; *provided, however,* that reimbursements to the Underwriters, if any, shall be limited to expenses actually incurred and *provided further* that in the case of clause (iii), the

Parent and the Company shall not be requested to cover expenses of counsel for the Underwriters in excess of $5,000 in the aggregate.

10. The obligations of the Underwriters hereunder shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Parent and the Company herein are, at and as of the Time of Delivery, true and correct, the condition that the Parent and the Company shall have performed all of their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 7(a) hereof; the final term sheet in a form substantially consistent with Schedule III hereto, and any other material required to be filed by the Company pursuant to Rule 433(d) under the Act, shall have been filed with the Commission within the applicable time period prescribed for such filing by Rule 433; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission and no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act shall have been received; no stop order suspending or preventing the use of the Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Representatives;

(b) Sullivan & Cromwell LLP, counsel for the Underwriters, shall have furnished to the Representatives such written opinions, dated the Time of Delivery, in form and substance satisfactory to the Representatives, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Morgan, Lewis & Bockius LLP, counsel for the Company, shall have furnished to the Representatives their written opinion and 10b-5 statement, each dated the Time of Delivery, in the form attached as Annexes IIA and IIB hereto;

(d) Jeffrey M. Taylor, Secretary of the Company, shall have furnished to the Representatives his written opinion, dated the Time of Delivery, in the form attached as Annex III hereto;

(e) (i) On the date of this Agreement, (ii) on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and (iii) at the Time of Delivery, PricewaterhouseCoopers LLP shall have furnished to the Representatives a

letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representatives, to the effect set forth in Annex I hereto;

(f) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, (A) none of the Parent, the Company or any of the Parent's other subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and (B) no labor dispute with the employees of the Parent, the Company or any of the Parent's other subsidiaries exists or, to the knowledge of the Company or the Parent, is imminent; and (ii) since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, otherwise than as set forth or contemplated in the Pricing Prospectus, there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Parent or increase in consolidated long-term debt of the Parent and its consolidated subsidiaries, or (B) any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Parent, the Company and the Parent's other subsidiaries, otherwise than as set forth or contemplated in the Pricing Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus;

(g) On or after the Applicable Time (i) no downgrading shall have occurred in the rating accorded the Parent's or the Company's debt securities by Standard & Poor's Ratings Services or Moody's Investors Service, Inc., each a "nationally recognized statistical rating organization", as that term is defined by Section 3(a)(62) of the Exchange Act, and (ii) neither such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Parent's or the Company's debt securities;

(h) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Parent's or the Company's securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities declared by Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if

the effect of any such event specified in clause (iv) or (v) in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus; and

(i) Each of the Parent and the Company shall have furnished or caused to be furnished to the Representatives at the Time of Delivery certificates of officers of the Parent and the Company reasonably satisfactory to the Representatives as to the accuracy of the representations and warranties of the Parent and the Company, respectively, herein at and as of the Time of Delivery, as to the performance by the Parent and the Company of all their respective obligations hereunder to be performed at or prior to the Time of Delivery, as to the matters set forth in subsections (a), (f) and (g) of this Section and as to such other matters as the Representatives may reasonably request.

11. (a) The Parent and the Company will, jointly and severally, indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus or any “issuer information” filed or required to be filed pursuant to Rule 433(d) under the Act, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; *provided*, *however*, that the Parent and the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information.

(b) Each Underwriter will indemnify and hold harmless the Parent and the Company against any losses, claims, damages or liabilities to which the Parent or the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement

thereto, or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Parent and the Company for any legal or other expenses reasonably incurred by the Parent or the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ one separate counsel, and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate firm (in addition to one local counsel in each jurisdiction) if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) in an action where both the indemnifying and the indemnified party are actual or potential defendants, the indemnified party shall have reasonably concluded that there are actual or potential conflicting interests between the indemnifying party and the indemnified party, including situations in which there may be one or more legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified

party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. No indemnified party shall, without the written consent of the indemnifying party (such consent not to be unreasonably withheld), effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder.

(d) If the indemnification provided for in this Section 11 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Parent and the Company on the one hand and the Underwriters on the other from the offering of the Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Parent and the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Parent and the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Parent and the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Parent or the Company on the one hand or the Underwriter Information on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Parent, the Company, and

the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Parent and the Company under this Section 11 shall be in addition to any liability which the Parent and the Company may otherwise have and shall extend, upon the same terms and conditions, to the directors, officers, employees and agents of each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act and each broker-dealer affiliate of any Underwriter; and the obligations of the Underwriters under this Section 11 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer, director and employee of the Parent and the Company and to each person, if any, who controls the Parent or the Company within the meaning of the Act.

12. (a) If any Underwriter shall default in its obligation to purchase the Securities which it has agreed to purchase hereunder, the Representatives may in their discretion arrange for any of the Representatives or another party or other parties to purchase such Securities on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Representatives do not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to the Representatives to purchase such Securities on such terms. In the event that, within the respective prescribed periods, the Representatives notify the Company that they have so arranged for the purchase of such Securities, or the Company notifies the Representatives that it has so arranged for the purchase of such Securities, the Representatives or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made

necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to prepare promptly any amendments to the Registration Statement or the Prospectus which in the opinion of the Representatives may thereby be made necessary. The term “Underwriter” as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Securities.

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased does not exceed one-eleventh of the aggregate principal amount of all the Securities, then the Company shall have the right to require each non-defaulting Underwriter to purchase the principal amount of Securities which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the principal amount of Securities which such Underwriter agreed to purchase hereunder) of the Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of Securities which remains unpurchased exceeds one-eleventh of the aggregate principal amount of all the Securities, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Securities of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 9 hereof and the indemnity and contribution agreements in Section 11 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

13. The respective indemnities, agreements, representations, warranties and other statements of the Parent, the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, the Parent or the Company, or any officer or director or controlling person of the Parent or the Company and shall survive delivery of and payment for the Securities.

14. If for any reason, other than a default by the Underwriters in their obligation to purchase the Securities, any Securities are not delivered by or on

behalf of the Company as provided herein, the Company will reimburse the Underwriters through the Representatives for all reasonable expenses approved in writing by the Representatives, including reasonable fees and disbursements of counsel, incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Securities not so delivered, but the Parent and the Company shall then be under no further liability to the Underwriters except as provided in Sections 9 and 11 hereof.

15. In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by the Representatives jointly.

16. All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail or facsimile transmission to the Representatives in care of: Merrill Lynch, Pierce, Fenner & Smith Incorporated, 50 Rockefeller Plaza, NY1-050-12-01, New York, NY 10020, Attention: High Grade Transaction Management/Legal, Fax: (646) 855-5958; Mizuho Securities USA Inc., 320 Park Avenue, New York, NY 10022, Fax: (212) 205-7812; RBC Capital Markets, LLC, Three World Financial Center, 200 Vesey Street, New York, NY 10281, Fax: (212) 658-6137; or TD Securities (USA) LLC, 31 W. 52nd Street, 2nd Floor, New York, NY 10019, Attention: Investment Grade Debt Capital Markets; and if to the Parent or the Company shall be delivered or sent by mail or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary. Any such statements, requests, notices or agreements shall take effect upon receipt thereof. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Parent and the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

17. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Parent and the Company and, to the extent provided in Sections 11 and 13 hereof, the officers and directors of the Parent and the Company and each person who controls the Parent and the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Securities from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

18. Time shall be of the essence of this Agreement. As used herein, the term "**business day**" shall mean any day when the Commission's office in Washington, D.C. is open for business.

19. The Parent and the Company acknowledge and agree that (i) the purchase and sale of the Securities pursuant to this Agreement is an arm's-length commercial transaction between the Parent and the Company, on the one hand, and the several Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not the agent or fiduciary of the Parent or the Company, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Parent or the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Parent or the Company) or any other obligation to the Parent or the Company except the obligations expressly set forth in this Agreement and (iv) the Parent and the Company have consulted their own legal and financial advisors to the extent they deemed appropriate. The Parent and the Company agree that they will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Parent or the Company, in connection with such transaction or the process leading thereto.

20. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Parent, the Company and the Underwriters, or any of them, with respect to the subject matter hereof.

21. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

22. The Parent, the Company and each of the Underwriters hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

23. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

24. Notwithstanding anything herein to the contrary, each of the Parent and the Company are authorized to disclose to any persons the tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Parent and the Company relating to that treatment and structure, without the Underwriters imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, "tax treatment" means U.S. Federal and State income tax treatment, and "tax structure" is limited to any facts that may be relevant to that treatment.

If the foregoing is in accordance with your understanding, please sign and return to us five counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters, the Parent and the Company.

Very truly yours,

AMERICAN WATER CAPITAL CORP.

By: /s/ Jennifer Gambol
Name: Jennifer Gambol
Title: Vice President and Treasurer

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ Jennifer Gambol
Name: Jennifer Gambol
Title: Vice President and Treasurer

Accepted as of the date hereof:

Merrill Lynch, Pierce, Fenner & Smith Incorporated

Mizuho Securities USA Inc.

RBC Capital Markets, LLC

TD Securities (USA) LLC

On behalf of each of the Underwriters

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: /s/ Shawn Cepeda
Name: Shawn Cepeda
Title: Managing Director

MIZUHO SECURITIES USA INC.
By: /s/ Okwudiri Onyedum
Name: Okwudiri Onyedum
Title: Managing Director

RBC CAPITAL MARKETS, LLC
By: /s/ John Sconzo
Name: John Sconzo
Title: Managing Director

TD SECURITIES (USA) LLC
By: /s/ Elsa Wang
Name: Elsa Wang
Title: Director

SCHEDULE I

	Principal Amount of 2026 Notes to be Purchased	Principal Amount of 2046 Notes to be Purchased
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$ 50,000,000.00	$ 60,000,000.00
Mizuho Securities USA Inc.	$ 50,000,000.00	$ 60,000,000.00
RBC Capital Markets, LLC	$ 50,000,000.00	$ 60,000,000.00
TD Securities (USA) LLC	$ 50,000,000.00	$ 60,000,000.00
Regions Securities LLC	$ 15,000,000.00	$ 18,000,000.00
BB&T Capital Markets, a division of BB&T Securities, LLC	$ 10,000,000.00	$ 12,000,000.00
Academy Securities, Inc.	$ 5,000,000.00	$ 6,000,000.00
Blaylock Beal Van, LLC	$ 5,000,000.00	$ 6,000,000.00
C.L. King & Associates, Inc.	$ 5,000,000.00	$ 6,000,000.00
Loop Capital Markets LLC	$ 5,000,000.00	$ 6,000,000.00
Multi-Bank Securities, Inc.	$ 5,000,000.00	$ 6,000,000.00
Total	$ 250,000,000.00	$ 300,000,000.00
Total	$550,000,000	

SCHEDULE II

a) Issuer Free Writing Prospectuses included in the Pricing Disclosure Package: Final term sheet attached hereto as Schedule III.

b) Issuer Free Writing Prospectuses not included in the Pricing Disclosure Package: Fixed Income Investor NetRoadshow dated November 10, 2016 and NetRoadshow dated November 14, 2016.

SCHEDULE III

November 14, 2016

American Water Capital Corp.
American Water Works Company, Inc.

$250,000,000 3.000% Senior Notes due 2026
$300,000,000 4.000% Senior Notes due 2046
Term Sheet

Issuer:	American Water Capital Corp.
Support Provider:	American Water Works Company, Inc.
Security:	3.000% Senior Notes due 2026 (the "2026 Notes") 4.000% Senior Notes due 2046 (the "2046 Notes")
Size:	$250,000,000 for the 2026 Notes $300,000,000 for the 2046 Notes
Trade Date:	November 14, 2016
Settlement Date:	November 17, 2016 (T+3)
Maturity Date:	December 1, 2026 for the 2026 Notes December 1, 2046 for the 2046 Notes
Benchmark Treasury:	UST 2% due November 15, 2026 for the 2026 Notes UST 2.25% due August 15, 2046 for the 2046 Notes
Benchmark Treasury Yield:	2.221% for the 2026 Notes 2.998% for the 2046 Notes
Spread to Benchmark Treasury:	+80 bps for the 2026 Notes +105 bps for the 2046 Notes
Yield to Maturity:	3.021% for the 2026 Notes 4.048% for the 2046 Notes
Coupon:	3.000% for the 2026 Notes 4.000% for the 2046 Notes
Price to Public:	99.818% for the 2026 Notes 99.168% for the 2046 Notes
Interest Payment Dates:	2026 Notes: June 1 and December 1 of each year, beginning on June 1, 2017 2046 Notes: June 1 and December 1 of each year, beginning on June 1, 2017
Redemption Provisions:	
Make whole call:	Adjusted Treasury Rate +15 bps for the 2026 Notes Adjusted Treasury Rate +20 bps for the 2046 Notes
Par call:	On or after September 1, 2026 for the 2026 Notes On or after June 1, 2046 for the 2046 Notes
CUSIP:	2026 Notes: 03040W AN5 2046 Notes: 03040W AP0
ISIN:	2026 Notes: US03040WAN56 2046 Notes: US03040WAP05
Ratings (1):	[Intentionally Omitted]

Joint Book-Running Managers:	Merrill Lynch, Pierce, Fenner & Smith Incorporated Mizuho Securities USA Inc. RBC Capital Markets, LLC TD Securities (USA) LLC Regions Securities LLC
Co-Managers:	BB&T Capital Markets, a division of BB&T Securities, LLC Academy Securities, Inc. Blaylock Beal Van, LLC C.L. King & Associates, Inc. Loop Capital Markets LLC Multi-Bank Securities, Inc.

(1) Neither of these ratings is a recommendation to buy, sell or hold these securities. Each rating may be subject to revision or withdrawal at any time, and should be evaluated independently of any other rating.

The term “Adjusted Treasury Rate” has the meaning ascribed to that term in the Issuer’s Preliminary Prospectus Supplement, dated November 14, 2016.

The Issuer and the Support Provider have filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Issuer and the Support Provider have filed with the SEC for more complete information about the Issuer, the Support Provider and this offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, any underwriter participating in the offering will arrange to send you the prospectus if you request it by calling Merrill Lynch, Pierce, Fenner & Smith Incorporated at 1-800-294-1322, Mizuho Securities USA Inc. at (866) 271-7403, RBC Capital Markets, LLC at 1-866-375-6829 or TD Securities (USA) LLC at 1-855-495-9846.

SCHEDULE IV

Significant Subsidiaries of the Company

New Jersey-American Water Company, Inc.
Pennsylvania-American Water Company
Missouri-American Water Company

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Section 3: EX-4.1 (EX-4.1 OFFICERS' CERTIFICATE FOR 2026 NOTES)

Exhibit 4.1

AMERICAN WATER CAPITAL CORP.

OFFICERS' CERTIFICATE

NOVEMBER 17, 2016

3.000% SENIOR NOTES DUE 2026

PURSUANT TO SECTIONS 102 AND 301 OF THE INDENTURE IDENTIFIED BELOW

The undersigned officers of American Water Capital Corp., a Delaware corporation (the "Company"), acting pursuant to an authorization contained in the unanimous written consent, dated November 11, 2016, of the Board of Directors of the Company (the "Board Resolutions"), and Sections 102 and 301 of the Indenture, dated as of December 4, 2009 (the "Indenture", and unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them therein), between the Company and Wells Fargo Bank, National Association, as Trustee, do hereby certify as follows:

1) There is hereby established under the Indenture the following series of debt securities of the Company, and the terms of such series (the "Series") are as follows:

   a) The Series shall be known and designated as the "3.000% Senior Notes due 2026" of the Company (the "Securities");

   b) The terms of the Securities are as set forth in Annex A hereto;

   c) The Securities shall be redeemable at the option of the Company as specified and subject to the limitations set forth in Annex A hereto;

   d) The Securities shall not be entitled to the benefits of any sinking fund or analogous provisions;

   e) The Securities shall be subject to defeasance as specified and subject to the limitations set forth in Annex A hereto;

   f) The Securities will be issued in the form of one or more fully registered Global Securities which are exchangeable from time to time for fully registered certificated securities in accordance with the terms of the Indenture; and

   g) The Company will not pay additional amounts on the Securities held by a non-U.S. person in respect of taxes or similar charges withheld or deducted;

2) The undersigned have read the provisions of the Indenture relating to the authentication and delivery of securities thereunder, including Sections 201, 301 and 303 thereof and the definitions relating thereto;

3) The undersigned have read the Board Resolutions authorizing the issuance of the Securities and the taking of any action by such officers of the Company in connection therewith, and have made such investigation or examination as is necessary, in the opinion of the undersigned, to enable the undersigned to express an informed opinion as to whether the covenants and conditions precedent to the action to be taken by the Trustee in authenticating and delivering Securities under the Indenture have been complied with;

4) In the opinion of the undersigned, such covenants and conditions precedent have been complied with; and

5) The Securities are “Debt” under the Support Agreement, dated June 22, 2000 and amended as of July 26, 2000, between American Water Works Company, Inc. and the Company.

IN WITNESS WHEREOF, we have hereunto signed our names as of the date first written above.

By: /s/ Jennifer Gambol
Name: Jennifer Gambol
Title: Vice President and Treasurer

By: /s/ Jeffrey M. Taylor
Name: Jeffrey M. Taylor
Title: Secretary

ANNEX A

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

American Water Capital Corp.
3.000% Senior Notes due 2026

CUSIP No. 03040W AN5
ISIN No. US03040WAN56

No R. 1 $250,000,000

American Water Capital Corp., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Two Hundred Fifty Million Dollars on December 1, 2026, and to pay interest thereon from November 17, 2016 or from the most recent Interest Payment Date to which interest has been paid or as duly provided for semi-annually on June 1 and December 1, in arrears, commencing June 1, 2017, and on any earlier date of redemption, at the rate of 3.000% per annum, until the principal hereof is paid or made available for payment. Interest on this Security shall be computed assuming a 360-day year consisting of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the close of business on the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall

be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and any such interest on this Security will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts (i) with respect to any Global Security, by wire transfer of immediately available funds to the accounts specified by the Holder of such Global Security or (ii) with respect to any certificated Security, by wire transfer of immediately available funds to the respective accounts specified by the Holders of such certificated Security or, if no such account is specified, by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

AMERICAN WATER CAPITAL CORP.

By _____

TRUSTEE'S CERTIFICATION OF AUTHENTICATION

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
As Trustee

By _____
Authorized Signatory

Dated: November 17, 2016

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of December 4, 2009 (herein called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and Wells Fargo Bank, National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

The Company may from time to time, without the consent of the Holders, create and issue Additional Securities, so that each such further issue shall be consolidated and form a single series with the Outstanding Securities of this series.

All or a portion of the Securities may be redeemed at the option of the Company at any time or from time to time. The Redemption Price for the Securities to be redeemed on any redemption date prior to September 1, 2026 will be equal to the greater of the following amounts: (a) 100% of the principal amount of the Securities being redeemed on the redemption date; or (b) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities being redeemed on that redemption date that would be payable if such Securities matured on September 1, 2026 (not including any portion of any payments of interest accrued to the redemption date) discounted to the redemption date on a semiannual basis at the Adjusted Treasury Rate (as defined below) plus 15 basis points, as determined by the Reference Treasury Dealer (as defined below), plus, in each case, accrued and unpaid interest thereon to the redemption date. The Redemption Price for the Securities to be redeemed on any redemption date on or after September 1, 2026 will be equal to 100% of the principal amount of the Securities being redeemed on the redemption date plus accrued and unpaid interest thereon to the redemption date. Notwithstanding the foregoing, installments of interest on the Securities that are due and payable on Interest Payment Dates falling on or prior to a redemption date will be payable on the Interest Payment Date to the Holder of such Securities as of the close of business on the relevant Regular Record Date. The Redemption Price will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Calculation of the Redemption Price will be made by the Company or on behalf of the Company by a person designated by the Company; provided that such calculation or the correctness thereof shall not be a duty or obligation of the Trustee.

The Company shall mail notice of any redemption at least 30 days but not more than 60 days before the redemption date to each Holder of the Securities to be redeemed, and, if less than all of the Securities are to be redeemed, the particular Securities to be redeemed will be selected by the Trustee on a pro rata basis, by lot or in such manner as the Trustee shall deem appropriate and fair in accordance with DTC procedures. Unless the Company defaults in payment of the Redemption Price, on and after the redemption date, interest will cease to accrue on the Securities or portions thereof called for redemption.

"*Adjusted Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Securities to be redeemed, calculated as if the maturity date of the Securities were September 1, 2026 (the "Remaining

Life"), that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life of such Security.

"*Comparable Treasury Price*" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (C) if only one Reference Treasury Dealer Quotation is received, such quotation.

"*Reference Treasury Dealer*" means (A) Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Securities USA Inc., RBC Capital Markets, LLC and TD Securities (USA) LLC, or their respective affiliates which are primary U.S. Government securities dealers in the United States (each, a "Primary Treasury Dealer"); provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer(s) selected by the Company.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such redemption date.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security or certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee

written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

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Section 4: EX-4.2 (EX-4.2 OFFICERS' CERTIFICATE FOR 2046 NOTES)

Exhibit 4.2

AMERICAN WATER CAPITAL CORP.

OFFICERS' CERTIFICATE

NOVEMBER 17, 2016

4.000% SENIOR NOTES DUE 2046

PURSUANT TO SECTIONS 102 AND 301 OF THE INDENTURE IDENTIFIED BELOW

The undersigned officers of American Water Capital Corp., a Delaware corporation (the "Company"), acting pursuant to an authorization contained in the unanimous written consent, dated November 11, 2016, of the Board of Directors of the Company

(the "Board Resolutions"), and Sections 102 and 301 of the Indenture, dated as of December 4, 2009 (the "Indenture", and unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them therein), between the Company and Wells Fargo Bank, National Association, as Trustee, do hereby certify as follows:

1) There is hereby established under the Indenture the following series of debt securities of the Company, and the terms of such series (the "Series") are as follows:

   a) The Series shall be known and designated as the "4.000% Senior Notes due 2046" of the Company (the "Securities");

   b) The terms of the Securities are as set forth in Annex A hereto;

   c) The Securities shall be redeemable at the option of the Company as specified and subject to the limitations set forth in Annex A hereto;

   d) The Securities shall not be entitled to the benefits of any sinking fund or analogous provisions;

   e) The Securities shall be subject to defeasance as specified and subject to the limitations set forth in Annex A hereto;

   f) The Securities will be issued in the form of one or more fully registered Global Securities which are exchangeable from time to time for fully registered certificated securities in accordance with the terms of the Indenture; and

   g) The Company will not pay additional amounts on the Securities held by a non-U.S. person in respect of taxes or similar charges withheld or deducted;

2) The undersigned have read the provisions of the Indenture relating to the authentication and delivery of securities thereunder, including Sections 201, 301 and 303 thereof and the definitions relating thereto;

3) The undersigned have read the Board Resolutions authorizing the issuance of the Securities and the taking of any action by such officers of the Company in connection therewith, and have made such investigation or examination as is necessary, in the opinion of the undersigned, to enable the undersigned to express an informed opinion as to whether the covenants and conditions precedent to the action to be taken by the Trustee in authenticating and delivering Securities under the Indenture have been complied with;

4) In the opinion of the undersigned, such covenants and conditions precedent have been complied with; and

5) The Securities are “Debt” under the Support Agreement, dated June 22, 2000 and amended as of July 26, 2000, between American Water Works Company, Inc. and the Company.

IN WITNESS WHEREOF, we have hereunto signed our names as of the date first written above.

By: /s/ Jennifer Gambol
Name: Jennifer Gambol
Title: Vice President and Treasurer

By: /s/ Jeffrey M. Taylor
Name: Jeffrey M. Taylor
Title: Secretary

ANNEX A

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

American Water Capital Corp.
4.000% Senior Notes due 2046

CUSIP No. 03040W AP0
ISIN No. US03040WAP05

No R. 1 $300,000,000

American Water Capital Corp., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Three Hundred Million Dollars on December 1, 2046, and to pay interest thereon from November 17, 2016 or from the most recent Interest Payment Date to which interest has been paid or as duly provided for semi-annually on June 1 and December 1, in arrears, commencing June 1, 2017, and on any earlier date of redemption, at the rate of 4.000% per annum, until the principal hereof is paid or made available for payment. Interest on this Security shall be computed assuming a 360-day year consisting of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the close of business on the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record

Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and any such interest on this Security will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts (i) with respect to any Global Security, by wire transfer of immediately available funds to the accounts specified by the Holder of such Global Security or (ii) with respect to any certificated Security, by wire transfer of immediately available funds to the respective accounts specified by the Holders of such certificated Security or, if no such account is specified, by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

AMERICAN WATER CAPITAL CORP.

By _____

TRUSTEE'S CERTIFICATION OF AUTHENTICATION

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
As Trustee

By _____
Authorized Signatory

Dated: November 17, 2016

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of December 4, 2009 (herein called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and Wells Fargo Bank, National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

The Company may from time to time, without the consent of the Holders, create and issue Additional Securities, so that each such further issue shall be consolidated and form a single series with the Outstanding Securities of this series.

All or a portion of the Securities may be redeemed at the option of the Company at any time or from time to time. The Redemption Price for the Securities to be redeemed on any redemption date prior to June 1, 2046 will be equal to the greater of the following amounts: (a) 100% of the principal amount of the Securities being redeemed on the redemption date; or (b) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities being redeemed on that redemption date that would be payable if such Securities matured on June 1, 2046 (not including any portion of any payments of interest accrued to the redemption date) discounted to the redemption date on a semiannual basis at the Adjusted Treasury Rate (as defined below) plus 20 basis points, as determined by the Reference Treasury Dealer (as defined below), plus, in each case, accrued and unpaid interest thereon to the redemption date. The Redemption Price for the Securities to be redeemed on any redemption date on or after June 1, 2046 will be equal to 100% of the principal amount of the Securities being redeemed on the redemption date plus accrued and unpaid interest thereon to the redemption date. Notwithstanding the foregoing, installments of interest on the Securities that are due and payable on Interest Payment Dates falling on or prior to a redemption date will be payable on the Interest Payment Date to the Holder of such Securities as of the close of business on the relevant Regular Record Date. The Redemption Price will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Calculation of the Redemption Price will be made by the Company or on behalf of the Company by a person designated by the Company; provided that such calculation or the correctness thereof shall not be a duty or obligation of the Trustee.

The Company shall mail notice of any redemption at least 30 days but not more than 60 days before the redemption date to each Holder of the Securities to be redeemed, and, if less than all of the Securities are to be redeemed, the particular Securities to be redeemed will be selected by the Trustee on a pro rata basis, by lot or in such manner as the Trustee shall deem appropriate and fair in accordance with DTC procedures. Unless the Company defaults in payment of the Redemption Price, on and after the redemption date, interest will cease to accrue on the Securities or portions thereof called for redemption.

"*Adjusted Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the Securities to be redeemed, calculated as if the maturity date of the Securities were June 1, 2046 (the "Remaining Life"),

that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life of such Security.

"*Comparable Treasury Price*" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (C) if only one Reference Treasury Dealer Quotation is received, such quotation.

"*Reference Treasury Dealer*" means (A) Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Securities USA Inc., RBC Capital Markets, LLC and TD Securities (USA) LLC, or their respective affiliates which are primary U.S. Government securities dealers in the United States (each, a "Primary Treasury Dealer"); provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer(s) selected by the Company.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such redemption date.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security or certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee

written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

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Section 5: EX-5.1 (EX-5.1 OPINION OF MORGAN, LEWIS & BOCKIUS LLP)

Exhibit 5.1

November 17, 2016

American Water Works Company, Inc.
American Water Capital Corp.
1025 Laurel Oak Road
Voorhees, New Jersey 08043

Ladies and Gentlemen:

We have acted as counsel to American Water Works Company, Inc., a Delaware corporation ("AWW"), and American Water Capital Corp., a Delaware corporation (the "Company"), in connection with the issuance by the Company of $250,000,000 aggregate principal amount of its 3.000% Senior Notes due 2026 and $300,000,000 aggregate principal amount

of its 4.000% Senior Notes due 2046 (together, the "Notes"), issued under the Indenture, dated as of December 4, 2009 (the "Indenture"), between the Company and Wells Fargo Bank, National Association, as trustee (the "Trustee"), which Notes have the benefit of the Support Agreement, dated June 22, 2000, as amended July 26, 2000, between the Company and AWW (the "Support Agreement").

We have participated in the preparation of or reviewed (1) the Registration Statement on Form S-3 (Registration Nos. 333-203949 and 333-203949-01) (the "Registration Statement"), which Registration Statement was filed jointly by the Company and AWW with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"); (2) the prospectus dated May 7, 2015, forming a part of the Registration Statement, as supplemented by a prospectus supplement dated November 14, 2016 relating to the Notes, both such prospectus and prospectus supplement filed pursuant to Rule 424(b) under the Securities Act; (3) the Indenture; (4) the Support Agreement; (5) the certificate of incorporation of the Company; (6) the by-laws, as amended, of the Company; (7) the restated certificate of incorporation of AWW; (8) the amended and restated bylaws of AWW; and (9) such other corporate records, certificates and other documents (including a receipt executed on behalf of the Company acknowledging receipt of the purchase price for the Notes) and such questions of law as we have considered necessary or appropriate for the purposes of this opinion.

Based on the foregoing, we are of the opinion that the Notes and the Support Agreement, as it relates to the Notes, are valid, and binding obligations of the Company and AWW, respectively, except as limited or affected by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance or other laws affecting creditors' rights and remedies generally and general principles of equity.

In rendering the foregoing opinion, we have assumed that the certificates representing the Notes conform to specimens examined by us and that the Notes have been duly authenticated, in accordance with the Indenture, by the Trustee under the

Indenture and that the signatures on all documents examined by us are genuine, assumptions which we have not independently verified.

We hereby consent to the filing of this opinion as an exhibit to a Current Report on Form 8-K to be filed by AWW on or about November 17, 2016 which will be incorporated by reference in the Registration Statement. In giving the foregoing consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

This opinion is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the federal laws of the United States insofar as they bear on matters covered hereby.

Very truly yours,

/s/ Morgan, Lewis & Bockius LLP

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Section 1: 8-K (AWK-8K-20161212)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 12, 2016

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) On December 12, 2016, American Water Works Company, Inc. (the "Company") was notified by Richard R. Grigg, a member of the Board of Directors of the Company (the "Board"), of his decision to resign from the Board solely for health reasons, and not as a result of any disagreement with the Company on any matter, effective immediately. At the time of his resignation, Mr. Grigg was a member of the Audit Committee and the Executive Development and Compensation Committee.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 13, 2016

By: /s/ MICHAEL A. SGRO
Michael A. Sgro
Executive Vice President, General Counsel and Secretary

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Section 1: 8-K (FORM 8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 15, 2016

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

The presentation for the American Water Works Company, Inc. 2016 Investor Conference, to be held on December 15, 2016 in New York, New York, is attached hereto as Exhibit 99.1 and is hereby incorporated by reference herein.

On December 15, 2016, American Water Works Company, Inc. (the "Company") issued a press release announcing the Company's earnings per share guidance for the 2017 fiscal year and reaffirming its adjusted earnings per share range for the 2016 fiscal year. A copy of this press release is attached hereto as Exhibit 99.2 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibits 99.1 and 99.2, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been furnished herewith:

Exhibit	Description
99.1	American Water Works Company, Inc. 2016 Investor Conference Presentation
99.2	Press Release, dated December 15, 2016, issued by American Water Works Company, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 15, 2016

By: /s/ Linda G. Sullivan
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit	Description
99.1*	American Water Works Company, Inc. 2016 Investor Conference Presentation
99.2*	Press Release, dated December 15, 2016, issued by American Water Works Company, Inc.

* Furnished herewith.

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

December 15, 2016

Ed Vallejo
Vice President, Financial Planning and Investor Relations
856-566-4005
edward.vallejo@amwater.com

Maureen Duffy
Vice President, Communications
856-309-4546
Maureen.Duffy@amwater.com

AMERICAN WATER ANNOUNCES 2017 EARNINGS GUIDANCE

- **2017 diluted earnings per share from continuing operations estimated to be in the range of $2.98 to $3.08**
- **Five year earnings per share compound annual growth rate estimated to be 7 to 10 percent anchored off of 2015 earnings per share**
- **Reaffirming 2016 non-GAAP earnings guidance**

VOORHEES, N.J., Dec. 15, 2016 – American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, today announced its earnings per share guidance for 2017 and its estimated long-term EPS growth rate, and reaffirmed its non-GAAP earnings per share guidance range for the year ending December 31, 2016.

American Water estimates its 2017 diluted earnings per share from continuing operations to be in the range of $2.98 to $3.08.

“The 2017 guidance and our confidence in our long-term growth is based on the continued execution of our strategic goals,” said Susan Story, president and CEO of American Water. “We will continue to focus on providing safe, clean, affordable and reliable water services for our customers. Through investment of much needed capital for infrastructure replacement, technology and cost management to reduce the impact on our customers’ bills and strategic growth, we continue to create value for all of our stakeholders and achieve long-term success.”

The company also reaffirmed its 2016 non-GAAP earnings per share guidance. If the charge of $0.22 per diluted common share related to the Freedom Industries binding global agreement in principle is included in the range, the GAAP guidance is $2.59 - $2.64 per share. The earnings guidance without the effect of the binding global agreement in principle is $2.81 -$2.86 per share (a non-GAAP measure).

“Our ability to deliver on our strategies and goals starts and ends with the outstanding dedication and performance of our employees,” said Story. “We had a great year with a projected growth of closed and pending acquisitions representing the addition of 79,500 customers, approximately $1.5 billion of capital investment, $1.2 billion of which will improve our regulated systems, continued gains in O&M efficiencies, and excellent water quality and service that benefit our customers,” said Story.

American Water will host its Investor Conference presentation and audio webcast with investors, analysts and other interested parties on Dec. 15 at New York Stock Exchange. In addition to Story, presentations will be made by Linda Sullivan, chief financial officer; Walter Lynch, chief operating officer; Deborah Degillio, president of American Water Enterprises; Mark Strauss, senior vice president of Corporate Strategy and Business Development and Daniel Dalton, president of Keystone Clearwater Solutions. The live webcast will be accessible to the public from 1 p.m. to approximately 5 p.m. Eastern Time, and posted on the Investor Relations page of the company’s website at www.amwater.com. Presentation slides that will be used in conjunction with the conference are also available online at http://ir.amwater.com.

The company’s earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under “Forward-Looking Statements” below and under “Risk Factors” in its annual and quarterly reports filed with the Securities and Exchange Commission (SEC).

Non-GAAP Financial Measures

This press release includes a presentation of 2016 adjusted earnings per share from continuing operations as 2016 earnings guidance (“Adjusted EPS”), which is a “non-GAAP financial measure” under SEC rules. This non-GAAP financial measure is derived from American Water’s estimated consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. Adjusted EPS guidance is defined as GAAP diluted earnings guidance per diluted common share from continuing operations excluding the impact in the third quarter of 2016 of the Freedom Industries binding global agreement in principle. This non-GAAP financial measure supplements the company’s GAAP disclosures and should not be considered an alternative to the GAAP measure.

Management believes that the presentation of this non-GAAP financial measure is useful to the company’s investors because it provides an indication of the company’s forecast of baseline performance excluding items that are not considered to be reflective of ongoing results. Management does not intend results excluding the adjustment to represent results as defined by GAAP, and the reader should not consider them as indicators of the company’s performance. These items are

derived from the company's estimated consolidated financial information but are not presented in accordance with GAAP. The company's definition of Adjusted EPS guidance may not be comparable to the same or similar measures used by other companies, and, accordingly, this non-GAAP financial measure may have significant limitations on its use.

About American Water

American Water is the largest and most geographically diverse publicly traded U.S. water and wastewater utility company. Marking its 130th anniversary this year, the company employs more than 6,700 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting www.amwater.com.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2016 and 2017 earnings guidance, the outcome of the Freedom Industries chemical spill litigation settlement proceedings, the outcome of pending and future acquisition activity and the amount of future capital investments, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2015, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility regulations and policies, and impacts arising from the November 2016 U.S., state and local elections; potential costs and liabilities of American Water for environmental and similar matters resulting from, among other things, the provision of water services to customers in the natural gas exploration and production market; the outcome of litigation and government action related to the Freedom Industries chemical spill in West Virginia, including matters pertaining to the binding global agreement in principle to settle claims arising from this chemical spill;

weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain and upgrade current infrastructure, including technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies or water supplied to its customers and attacks on, or infiltration of, its computer systems or other critical infrastructure; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with, or otherwise obtain, new customers in its Market-based Businesses; cost overruns relating to improvements in or the expansion of its operations; its ability to maintain safe work sites; changes in general economic, political, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; and civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors and other statements included in the company's 2015 Annual Report on Form 10-K and subsequent SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. The company does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

AMERICAN WATER ISSUES 2017 EARNINGS GUIDANCE

American Water Works Company, Inc. and Subsidiary Companies
Revised Adjusted Earnings Guidance (A Non-GAAP, unaudited measure)
In millions

	2016	
	Low End	**High End**
Revised Earnings Guidance, GAAP	$ 2.59	$ 2.64
Plus		
Impact of Freedom Industries Chemical Spill Binding Global Agreement in Principle	0.37	0.37
Tax Impact	(0.15)	(0.15)
Revised Adjusted Earnings Guidance	$ 2.81	$ 2.86

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Section 3: EX-99.2 (EX-99.2)

Exhibit 99.2

2016 Investor Conference
December 15, 2016

Agenda

Time	Presentation Topic	Presenter
1:00 – 1:20	Welcome, Safety Message and American Water's Tap Into Talent Overview	Ed Vallejo Robert Lacorte Mike Sgro
1:20 – 1:40	American Water Overview	Susan Story
1:40 - 2:10	Panel: The Customer Experience – where service, technology and water quality meet	Panel Coordinator: Walter Lynch Panelists: Doug Brand, Kevin Kirwan, Radha Swaminathan
2:10 – 2:40	Presentation: Charting our Growth – Regulated Overview	Walter Lynch
2:40 – 2:55	BREAK	
2:55 – 3:25	Panel: Charting our Growth – Market Based Businesses Overview	Panel Coordinator: Linda Sullivan Panelists: Dan Dalton, Deb Degillio
3:25 – 3:40	Presentation: Charting our Growth – Corporate Business Development Overview	Mark Strauss
3:40 – 4:20	Tying it all Together: Financial Plan Overview	Linda Sullivan
4:20 – 5:00	Wrap Up and Q&A	Susan Story

Forward-Looking Statements

Ed Vallejo
Vice President Financial Planning and Investor Relations

Forward-Looking Statements and Other Information

Certain statements in this presentation, including, without limitation, earnings guidance, the outcome of pending or future acquisition activity, American Water's growth strategy, the amount and allocation of future capital investments, and estimated revenues from rate cases and other governmental agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. 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These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors and other statements included in American Water's 2015 Form 10-K and in subsequent filings with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date this presentation is first given. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of the foregoing factors on American Water's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

In this presentation, all statements related to earnings per share, or EPS, refer to diluted EPS from continuing operations.

Safety Message

Robert Lacorte
Financial Analyst
Author: Don't Die in a Car

Tap Into Talent

Mike Sgro
Executive Vice President, General Counsel & Corporate Secretary

"It's Water by American"
Kentucky American Water

Overview

Susan Story
President and Chief Executive Officer

American Water: Our Success Cycle

Engaged Employees, Smart Investments, and Safe, Efficient Operations

Highly Satisfied Customers

Constructive Regulatory Outcomes = Sustainable Financial Performance

Today We Are....

- Affirming 2016 Revised Guidance (GAAP $2.59-$2.64; Non-GAAP $2.81-$2.86*)
- Announcing 2017 Guidance ($2.98 - $3.08)
- Continuing Long Term Diluted EPS Compound Annual Growth of 7-10%
- Moving EPS Compound Annual Growth Anchor from 2014 ($2.39 GAAP, $2.43 Non-GAAP*) to 2015 ($2.64)

*Revised 2016 Non-GAAP guidance of $2.81 - $2.86 and $2.43 previous anchor are non-GAAP measures. Please see appendix for reconciliation and further information.
**Anchored off of 2015.

December 2016

Possible Impacts of President-Elect Trump's Administration

Infrastructure Focus and Financing

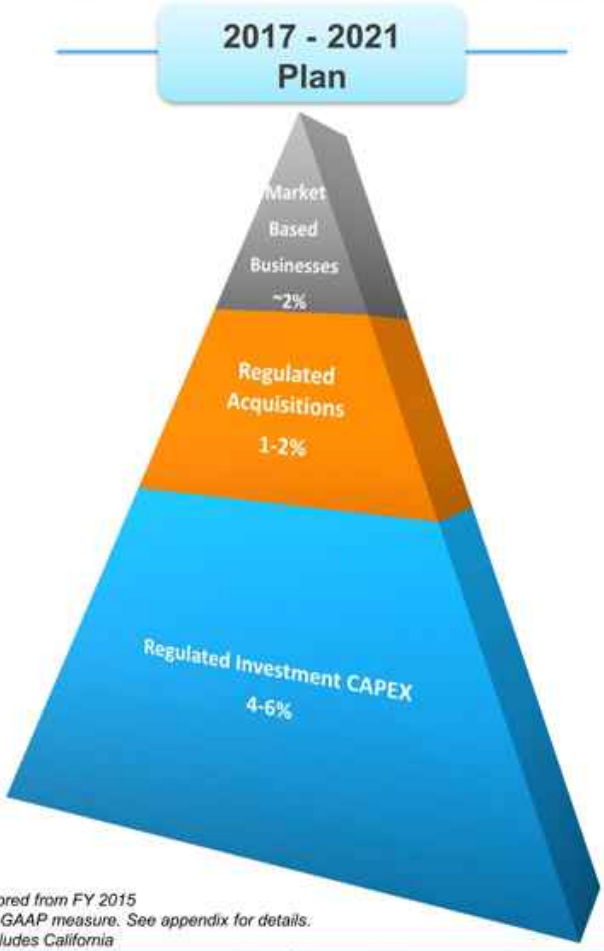
Department of Defense Sequestration Relaxed

Support for More Natural Gas Pipelines

Federal Taxes

Interest Rates

Our Commitment Over the Next Five Years



- Continue Industry Leading **7-10%** Long Term EPS Growth*
- Invest **$6.7 - $7.3 billion** to improve infrastructure, expand water and wastewater customer base
- Achieve O&M Efficiency stretch target **32.5%**** by 2021, with average customer bill impacts **~2.5%*****
- Set the bar for customer satisfaction in the industry
- Continue complementary market-based businesses which leverage our core competencies
- Lead Innovation, Water Quality & Environmental Stewardship for the Industry
- Grow dividends in line with earnings growth, **50-60%** target payout ratio

* *Anchored from FY 2015*
** *Non-GAAP measure. See appendix for details.*
*** *Excludes California*

December 2016

The Customer Experience: Where Service, Technology & Water Quality Meet

Walter Lynch
Chief Operating Officer

Doug Brand
Senior Director
Customer Experience

Kevin Kirwan
VP Operations
New Jersey American Water

Radha Swaminathan
Chief Technology and Innovation Officer

The Customer Experience:
Where Service, Technology & Water Quality Meet

Charting Our Growth: Regulated Overview

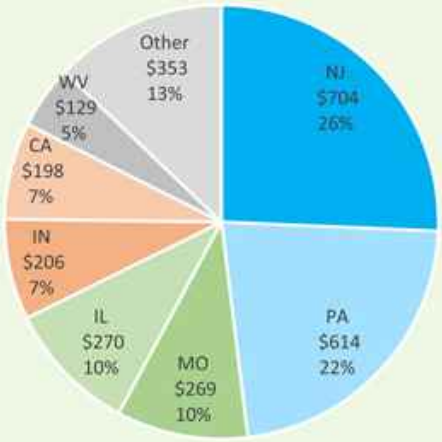
Walter Lynch
Chief Operating Officer

The Leading Investor Owned Water Utility Company

Our Regulated Footprint

2015 Regulated Revenues

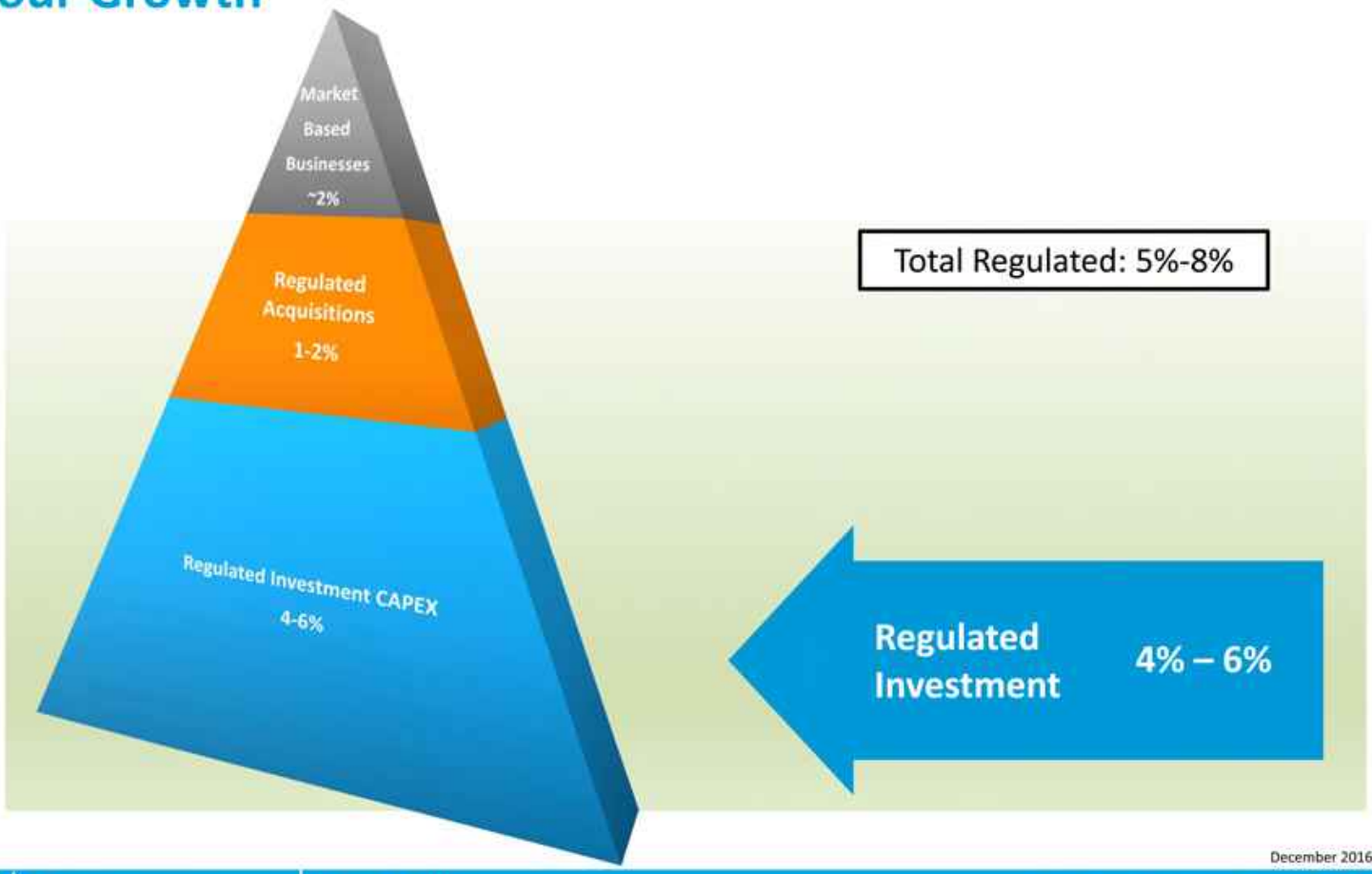
(in Millions)



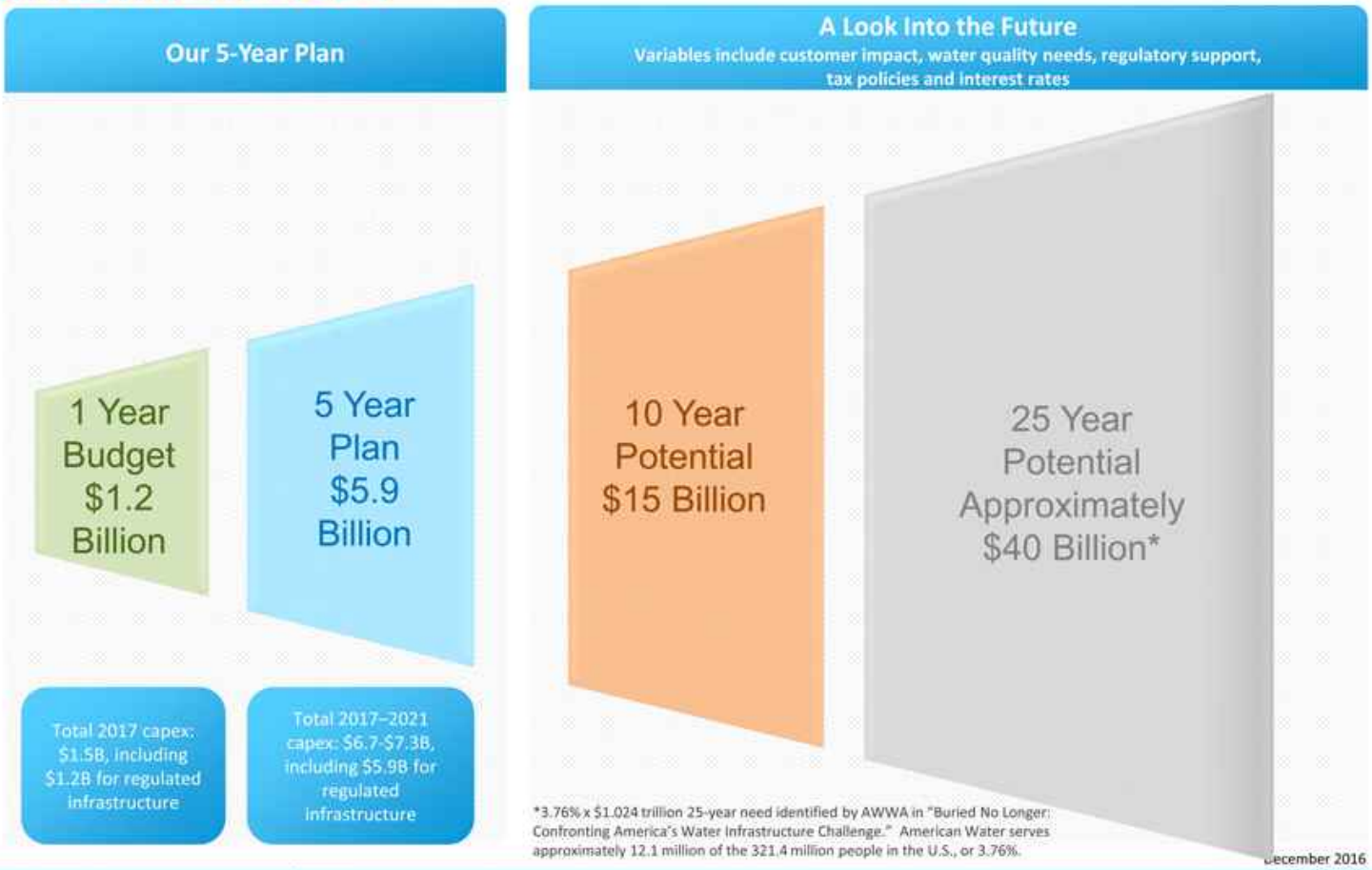
16 Regulated States
1,600 Communities Served
1 Billion Gallons of Water Treated and Delivered Daily

December 2016

Regulated Infrastructure Investment - the Foundation of our Growth

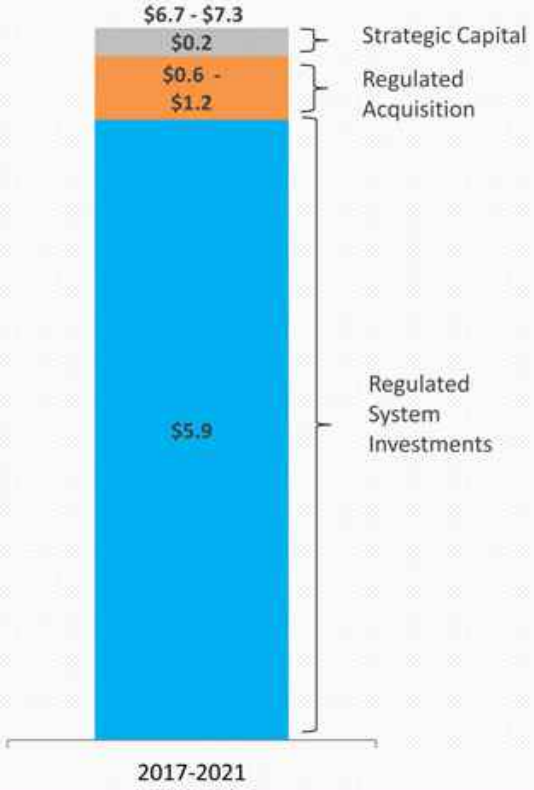


Regulated Infrastructure Investment: Multi-Decade Investment Need

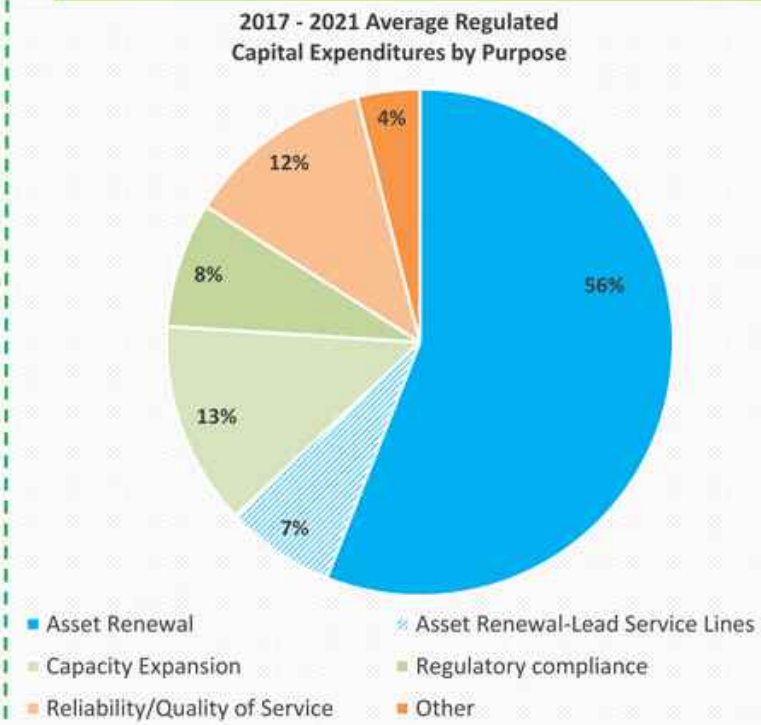


$6.7B-$7.3B of Investments from 2017-2021; $5.9B for Regulated Systems

2017-2021 Capital Expenditure by Category
(In $ Billions)



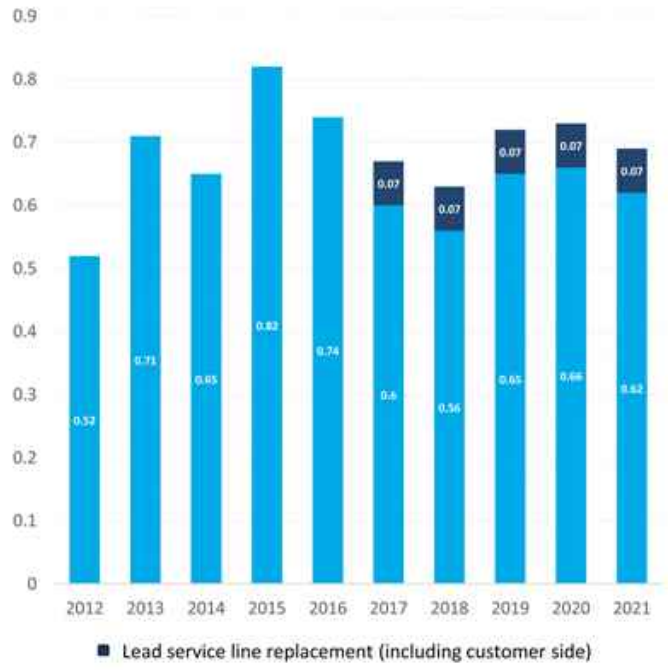
2017 – 2021 Regulated System Investment by Purpose



December 2016

Regulated Infrastructure Investment: Addressing Lead Service Line Replacement - Prioritizing Capital

AW Historic vs. Proposed % of Pipe Replaced Annually



American Water's Lead Service Line Replacement Challenge

- Less than 5% lead service lines – American Water is in full compliance with requirements of the Lead & Copper Rule
- Estimated cost for full removal of American Water and associated customer lead service lines approximately $800 million - $1 billion
- Goal is to fully address lead service lines in approximately 10 years

Regulated Infrastructure Investment: Customer Bill Impact is Key to Capital Program

Balancing Capital Needs & Customer Bills

System Investment Needs

Customer Bill Impacts

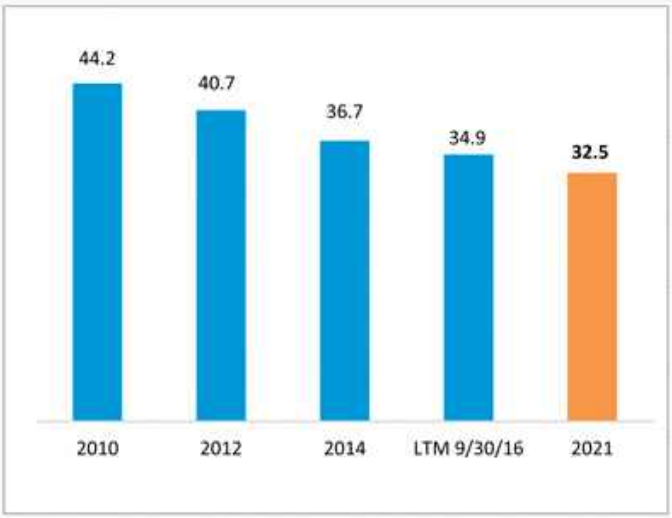
What Can Help Us Do More….

O&M and Capital Efficiency

Regulatory Support and Constructive Regulation

Regulated Infrastructure Investment: O&M Efficiency Creates Room to Invest

O&M Efficiency Ratio
Stretch Target of 32.5% by 2021



Note:
O&M Efficiency Ratio - Non GAAP Measure – See appendix for reconciliation and further information.

Driving Efficiencies

New Jersey American Water conducted **reverse energy auctions** to reduce electricity costs, **saving $9 million** for next 3 years, benefiting our customers.

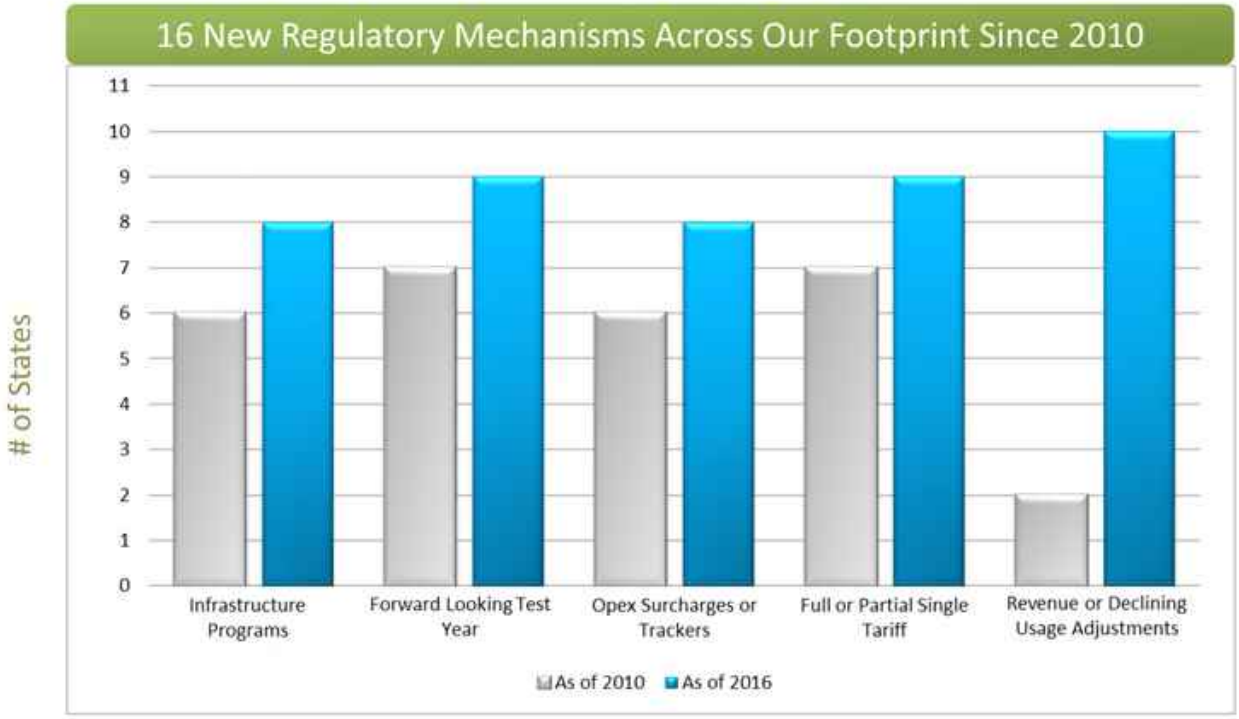
Regulated Infrastructure Investment: Capital Efficiency Can Help Us Do More

Value Engineering the design of a reservoir, resulted in **$625K in reduced costs** for the project

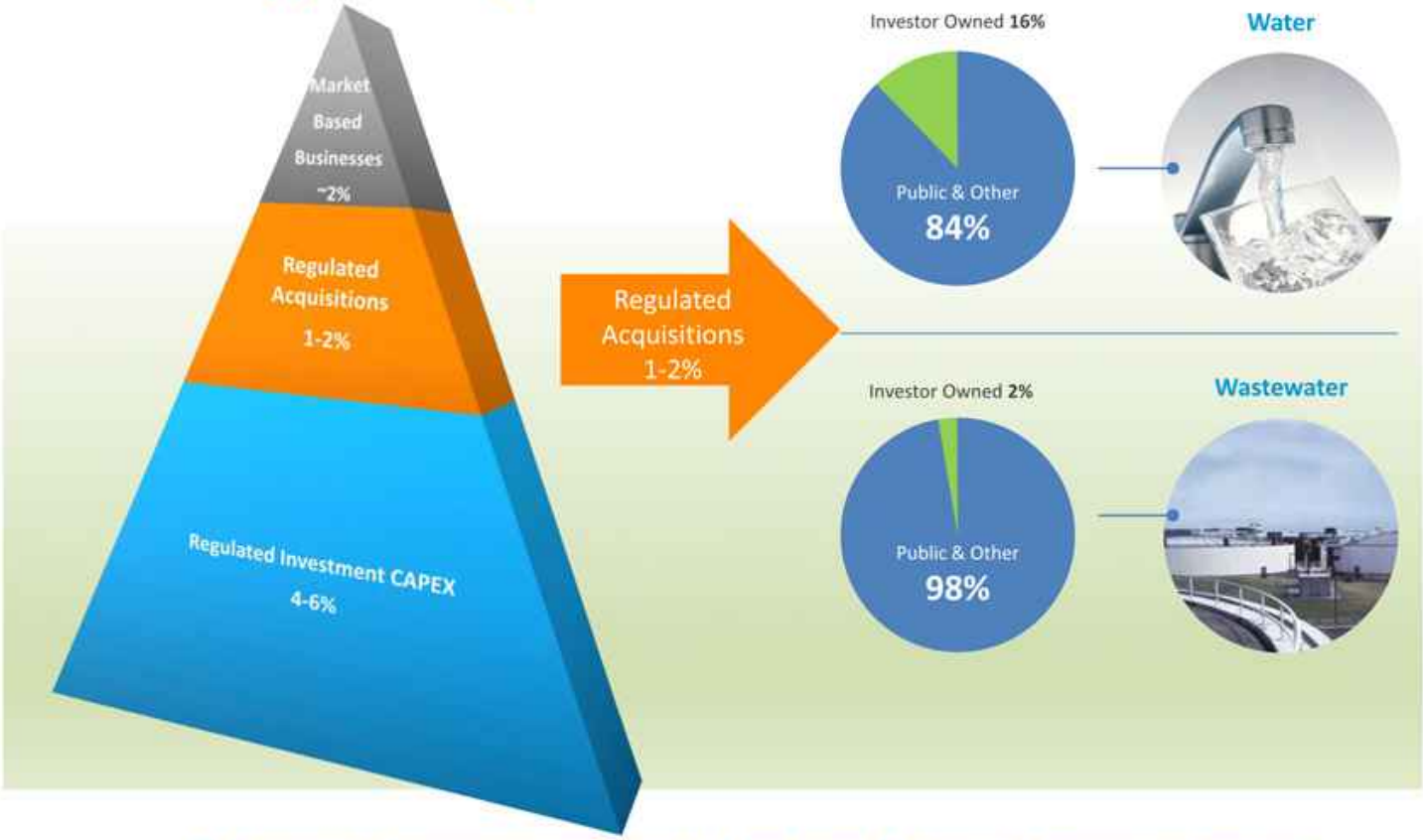
Deploying a variety of trenchless pipe lining methods to rehabilitate old water and sewer mains, **saving $5 million** on just 5% of projects in 2016

Negotiations on pipes and meters are expected to **reduce capital costs by $2.7 million** by the end of 2016

Regulated Infrastructure Investment: Timely Return on Investment Supports Customers' Best Interests



Regulated Acquisitions: Highly Fragmented Water Industry Creates Opportunity



The majority of water systems in the US are owned by capital constrained entities

Regulated Acquisitions: Enabling Growth Through Consolidation

1997

CA
Fair Market Value

2012

PA
Water & Waste Water Revenue Requirement Consolidation

2013

IL
Fair Market Value & Post Acquisition Deferrals

MO
Fair Market Value

2015

NJ
Fair Market Value

IN
Fair Market Value

2016

PA
Fair Market Value & Post Acquisition Deferral

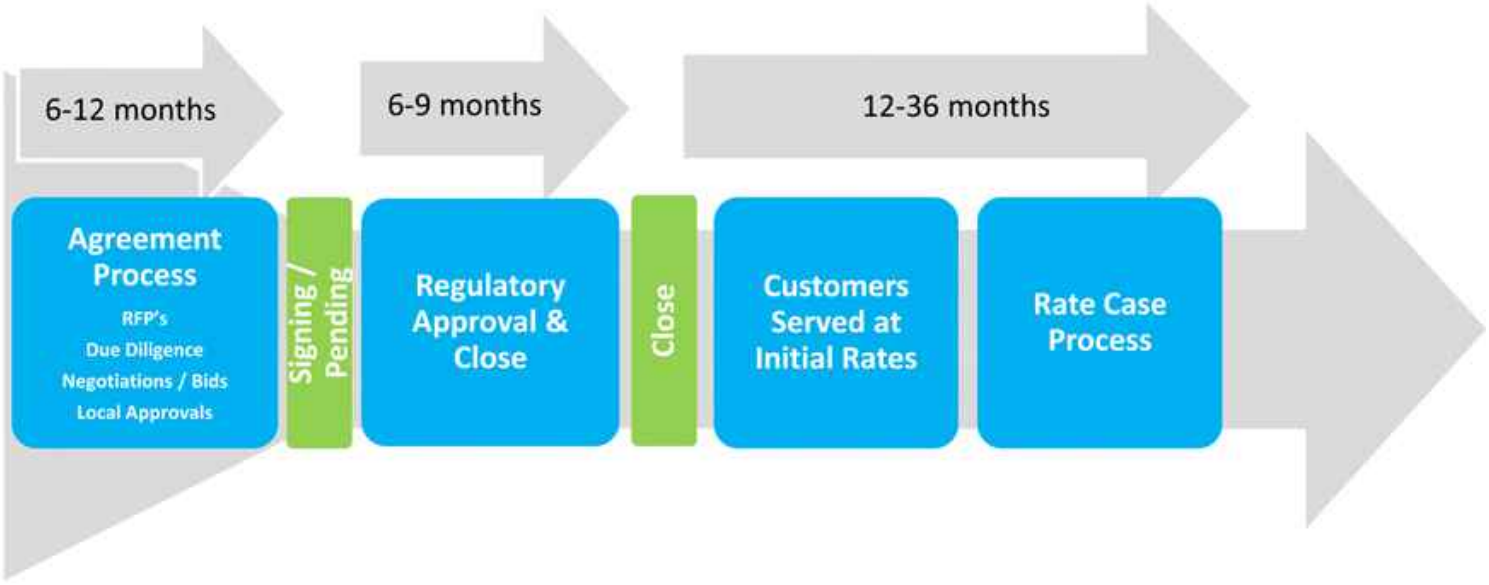
IN
Fair Market Value Expansion

PA
Clarifying Combined Stormwater Systems as Wastewater

*see appendix for details on laws

December 2016

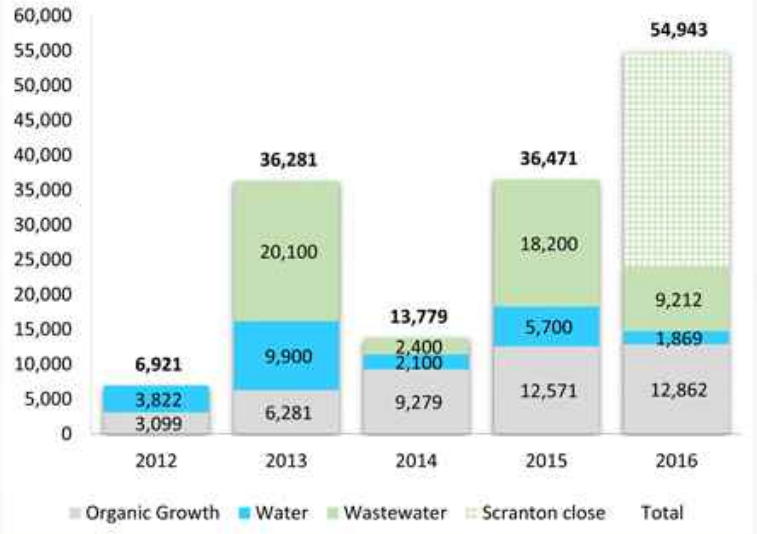
Regulated Acquisitions: Approximate Acquisition Timeline



Two to Five Years from RFP to Full Rate Recovery

Regulated Acquisitions: Adding Customers Through Acquisitions and Organic Growth

Customer Additions from Organic Growth and Closed Acquisitions 2012–2016 (with Scranton close by year end)*



Selected Upcoming Acquisition Opportunities

	Approximate Customers
Target A	30,000
Target B	27,500
Target C	11,000
Target D	8,000
Target E	7,000
Target F	5,500
Target G	5,500
Target H	5,000

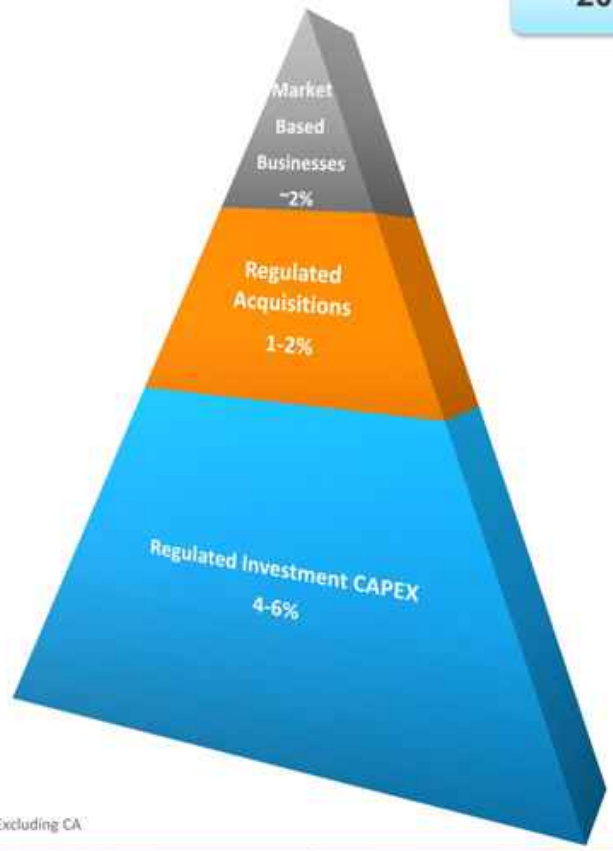
We also have 37,500 pending customer acquisitions with Scranton close by year end (68,500 without Scranton close by year end)

Over 145,000 customer opportunities in development

* 2012 Excludes acquisition of New York. 2016 Organic Growth calculated based on actual organic growth through October 31 of 10,862 plus an estimated 1,000 additional customers per month for the last 2 months of 2016.

December 2016

Regulated Operations Summary: Reliable, Steady Execution



*Excluding CA

2017 - 2021

Committed to:

- ✓ Invest $5.9B over 5 years in our assets, while keeping bill increases to ~ 2.5% on average*
- ✓ Invest $0.6-$1.2B over 5 years in regulated acquisitions to grow our customer base
- ✓ Pursue constructive regulatory mechanisms for timely return on investment
- ✓ Pursue legislative policies to enable growth
- ✓ Leverage technology to enhance customer experience and become more efficient in O&M and capital spend

"H_2O Serenade"
Missouri American Water

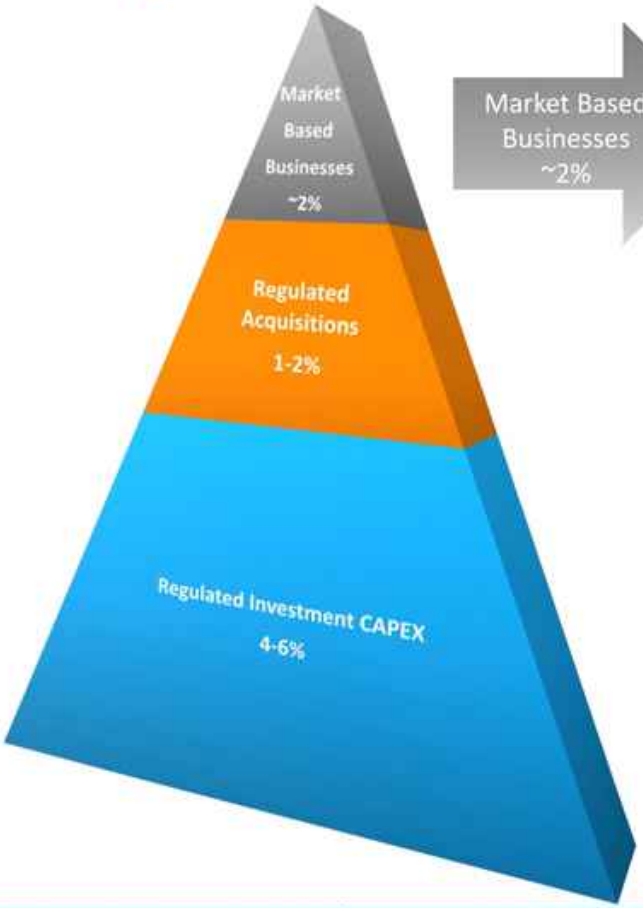
Charting Our Growth:
Market Based Business Overview

Linda Sullivan
Chief Financial Officer

Deb Degillio
President
American Water Enterprises

Dan Dalton
President and CEO
Keystone Clearwater Solutions

Why We Pursue Market-Based Businesses



Market Based Businesses ~2%

Why Market-based Businesses?

Capitalize on Our Core Competencies

Build Relationships

Additional, Capital-Light Growth

Attract Talent

American Water Enterprises: Our Portfolio of Businesses

Homeowner Services

- Warranty products and services for homeowners
- Partnerships with NYC, OUC, Nashville and others

Contract Services

- O&M contracts
- Public-private partnerships

Military Services

- Operate and maintain water and waste water assets on base
- 50 year contracts
- Identify and implement infrastructure projects

Minimal Capital Investment

Fastest Growing AWK Business

- > 800,000 Customers
- > 1.6 million contracts
- 9.1% estimated net income CAGR 2011-2016

Strategic Value to AWK

- > 40 contracts
- Short to mid-term contracts

Steady Acquisition of New Bases

- 12 bases served today
- 12 water and 11 wastewater plants
- > 1,700 miles of main and services
- Aging infrastructure

American Water Enterprises: Strategy for Growth

Military Services

- Pursue New Contracts
- Enhance our competitive strategy
- Mitigate external threats to utility privatization program
- Leverage potential Department Of Defense sequester changes

Home Owner Services

- Expand Partnerships
- Product Diversification
- Geographic Expansion
- Optimize Core

Contract Services

- Targeted O&M growth
- Strategic public-private partnerships
- Portfolio optimization

Keystone Business Update - Current Market Overview

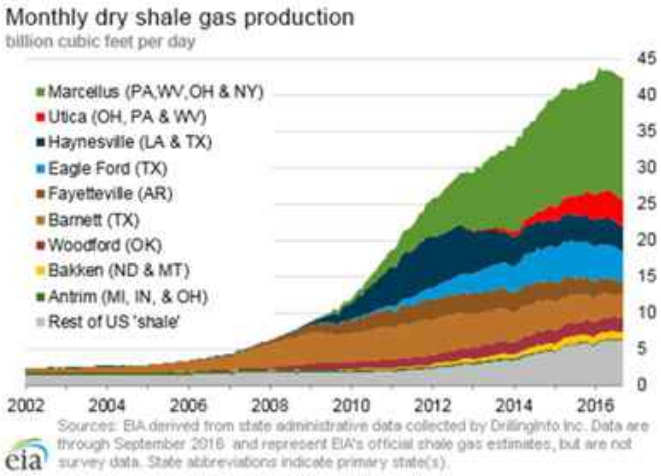
Key Business Drivers

- Natural Gas Price
- Rig Count
- Well Completions

Current Market Conditions

- $3.00+/MMBtu Natural Gas
- 50+ Rigs in Appalachia
- Increased Well Completions Projected in 2017

Increased Market Share



Appalachian Basin Largest % of Natural Gas

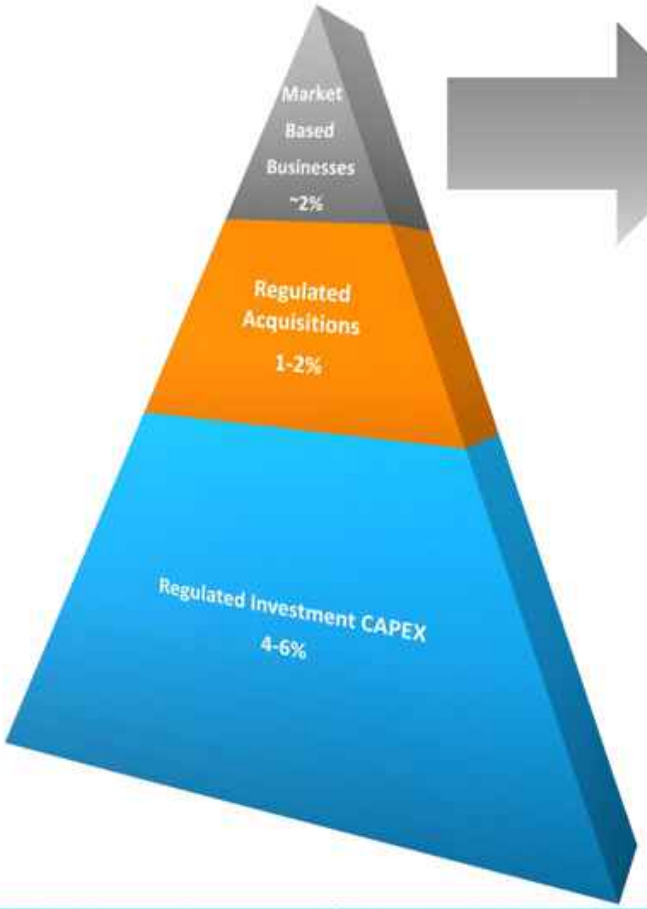
Keystone: Our Strategy for Growth

Core Business Expansion

Municipal Services

Asset Ownership

Market Based Businesses



Home Owner Services

Keystone

Military Services

Contract Services

Charting Our Growth:
Corporate Business Development Overview

Mark Strauss
Senior Vice President - Corporate Strategy and Business Development

Corporate Strategy & Business Development: What We Do

Research industry trends and competitor activities

Survey the landscape

- ✓ Monitor potential water IOU and private company acquisition opportunities
- ✓ Evaluate new states

Develop and manage overall company strategy & planning cycle

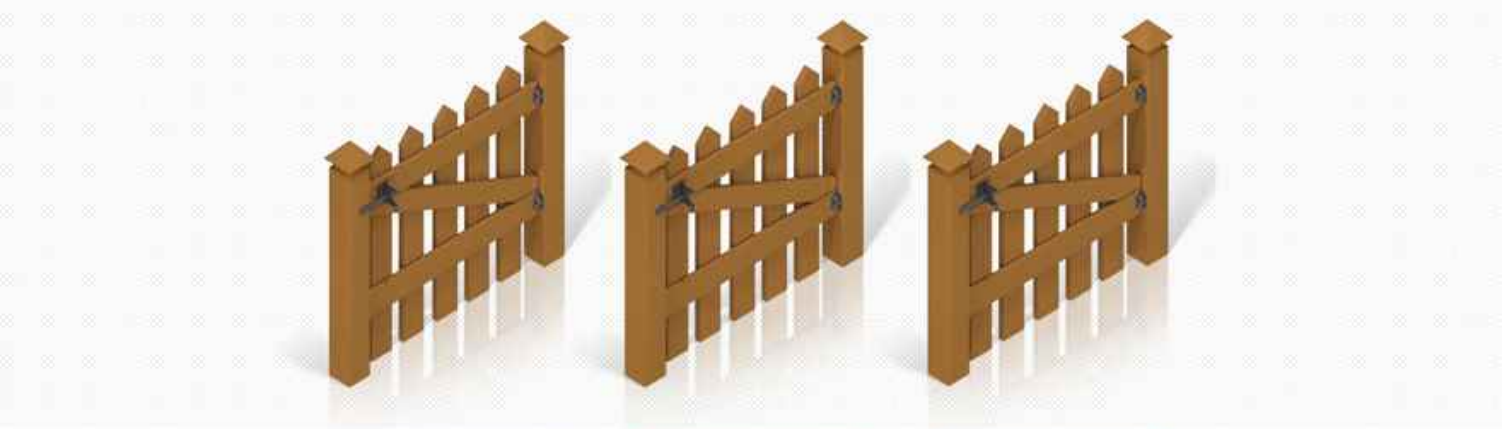
Provide leadership and modeling on major transactions

Support state subsidiaries with guidance and expertise

Provide a consistent, disciplined approach to acquisitions

- ✓ Due Diligence
- ✓ Integration
- ✓ Deal Tracking & Reporting
- ✓ Post Acquisition Review

Evaluating New States – Three Gates



Regulatory Climate

Business Climate

Line of Sight to 50,000 Customers within Five Years

Bringing It All Together: Our Financial Plan

Linda Sullivan
Chief Financial Officer

American Water's Financial Plan: Continued Delivery of Top Shareholder Value

One of the fastest growing utilities in the nation

7-10% EPS CAGR Target

CAGR target anchored off 2015

Regulated Risk Profile

85-90%
of earnings through 2021**

Decades of Investment

- Fragmented Market
- Regulatory & Geographic Diversity

A Top Leader in Dividend Growth*

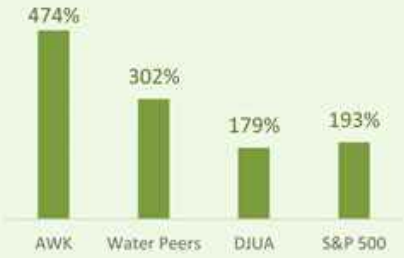
50%-60% target payout ratio

Strong Balance Sheet and Cash Flow

- "A" Rated by S&P
- ~ 7% CAGR Target for Cash Flow from Operations

CAGR target anchored off 2015

Superior Total Shareholder Return



FactSet: Total Shareholder Return from 4/23/08 AWK IPO through 11/29/16

*Higher dividend growth rate than DJUA, UTY, and water peers 2013- 2016
**Approximate contribution to net income, excluding parent and other

One of the Fastest Growing Utilities in the Nation

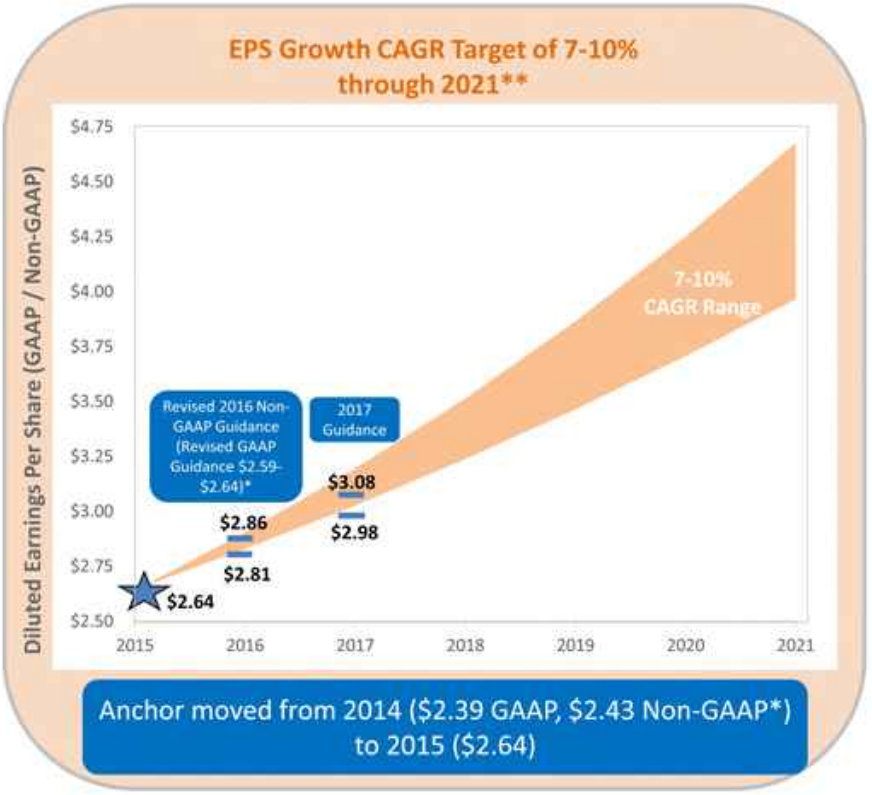
2016 Guidance

Original	Revised
$2.75-$2.85	$2.59-$2.64 GAAP $2.81-$2.86 Non-GAAP*

2017 Guidance

$2.98-$3.08

- 8% growth over midpoint of original 2016 guidance
- 7% growth over midpoint of 2016 revised non-GAAP guidance

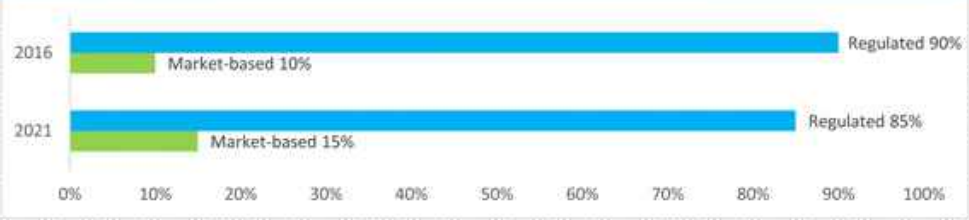


*Revised 2016 Non-GAAP guidance of $2.81 - $2.86 and $2.43 previous anchor are non-GAAP measures. Please see appendix for reconciliation and further information.
**Anchored from 2015

December 2016

We Will Continue to Be Predominantly a Regulated Utility

Estimated Earnings Contribution Ratio*



*Approximate. Excludes parent and other

Regulated Risk Characteristics

- ✓ Geographic & Regulatory Diversity
- ✓ Decades of Capital Investment Need
- ✓ Mechanisms Accelerate Recovery of Critical Investments
- ✓ Smooth Capital Deployment
- ✓ Fair Market Value Legislation in Six Largest States

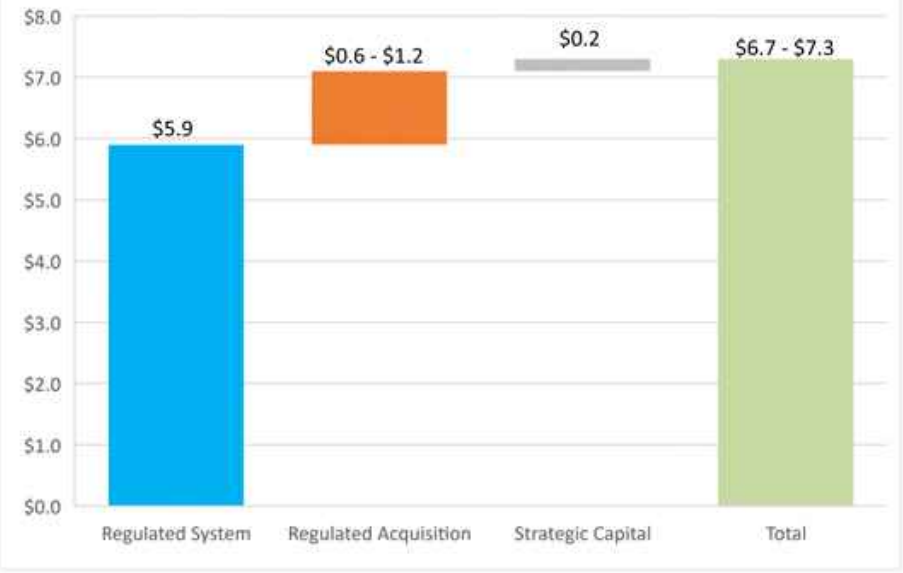
Market Based Risk Characteristics

- ✓ Portfolio of Four Diverse Businesses
- ✓ Capital Light
- ✓ Significant Market Opportunity for Growth
- ✓ Leverage Core Competencies
- ✓ Provide Strategic Options that could Enhance Regulated Growth
- ✓ Attracts Talent

December 2016

Regulated Operations: Decades of Investment and Consolidation Needed

Our Forecasted Capital Spend
(in $Billions)



Rate Base Growth 5-6% through 2021

$1.5 billion of capital in 2017

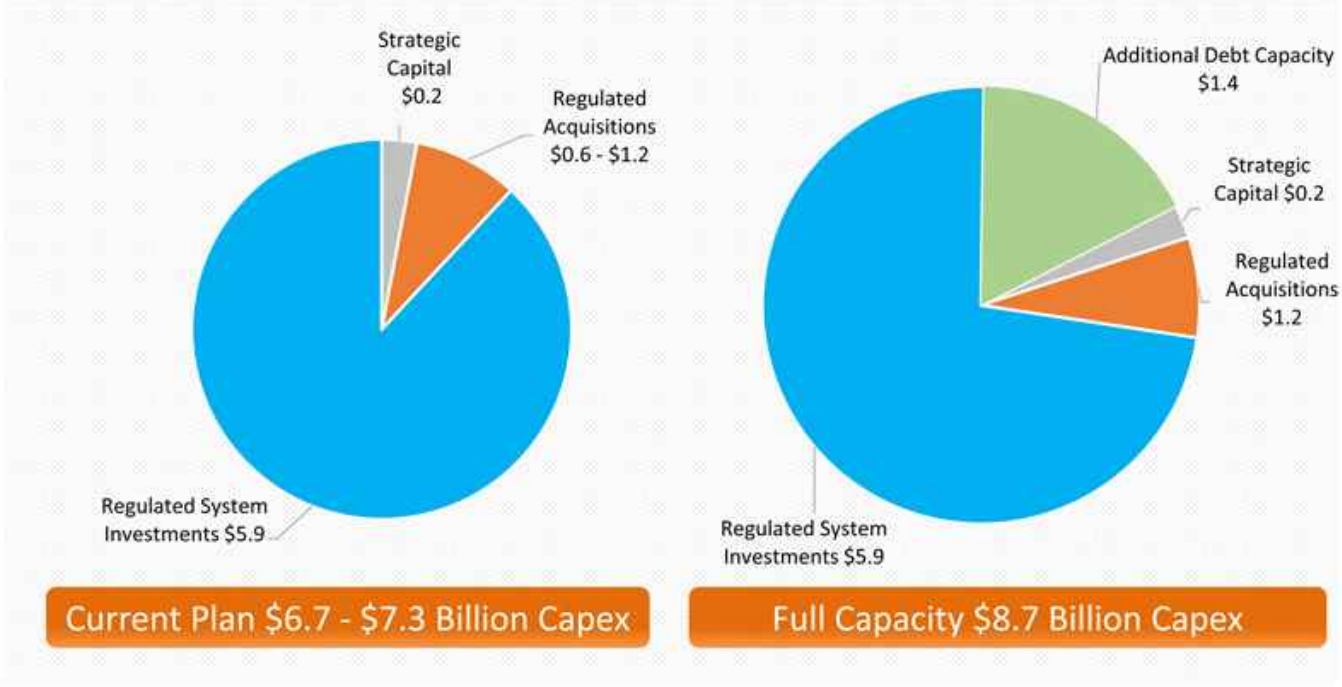
Uniquely Positioned
- ✓ economies of scale
- ✓ financial strength and capital access
- ✓ water quality and innovations

We have **additional debt capacity** to do more

Regulated Acquisitions: Process to Rate Base

We Have Additional Debt Capacity Under Our Current Credit Ratings to Support Additional Growth

$1.4 Billion Additional Debt Capacity Through 2021 above the Top End of the Capital Plan*

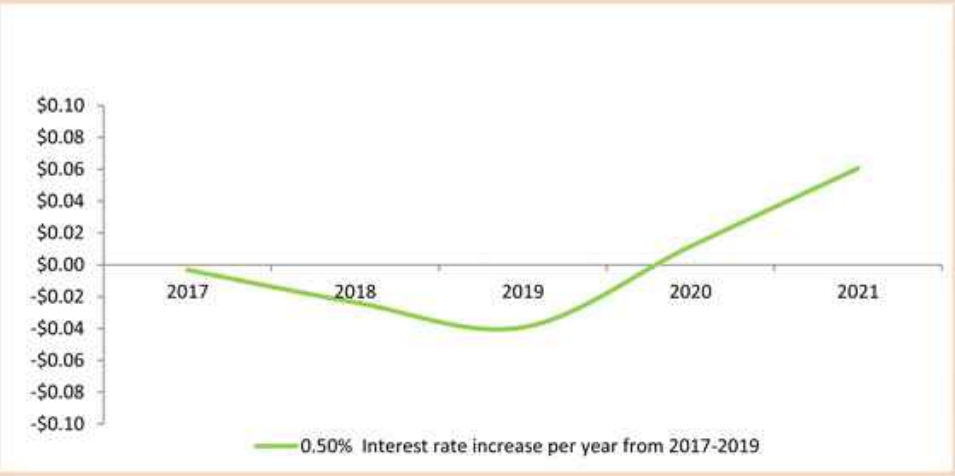


*Estimated based on FFO to Debt using S&P criteria

Potential Interest Rate Impacts on Earnings Per Share

Key Assumptions:

- 50 basis point increase in interest rates each year, from 2017-2019
- O&M costs impacted by an inflation factor of half of the interest rate increase, or 25 basis points
- Interest cost recovered in next rate case, average of two year lag
- Pension discount rate adjusted for half of change in interest rate; no change in return on asset
- Allowed ROE increases by half of the interest rate increase, average of two year lag



Short term interest drag eventually offset by recovery and higher ROEs

Potential Treatment of Tax Reform (Illustrative Only)

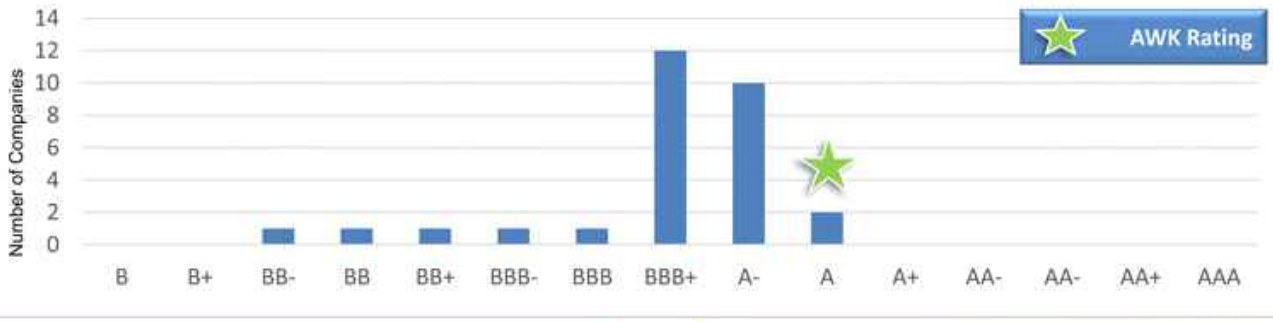
	Isolated Potential Treatment*
Corporate Income Tax Rate Reduction	**Regulated** • Lower tax expense; benefits customers • Potential to provide opportunity for investment • Lower cash tax flow • Increased rate base over time
	Market-Based Businesses and Parent: • Higher earnings at MBB; Military contracts true-up • Increased loss at Parent
	All Remeasurement of deferred taxes (historically normalized for Regulated)
100% Bonus Depreciation	• Grows federal net operating loss (NOL) position • Delays federal cash tax payer status • Rate base impact is determined on a state by state basis, depending on NOL position
Loss of Tax Deductions	• Increase tax expense to regulated customers; could offset any customer benefit from rate reduction • Lower earnings at MBB; Military contracts true-up • Increased loss at parent

*Reflects potential future changes and impacts only. Until actual changes in tax law are passed and reviewed, exact impacts are uncertain.

December 2016

Strong Balance Sheet

Credit Rating of Utility Companies in the S&P 500



Debt Maturity Schedule

Debt to Total Capital at $7.3 Billion Capex*

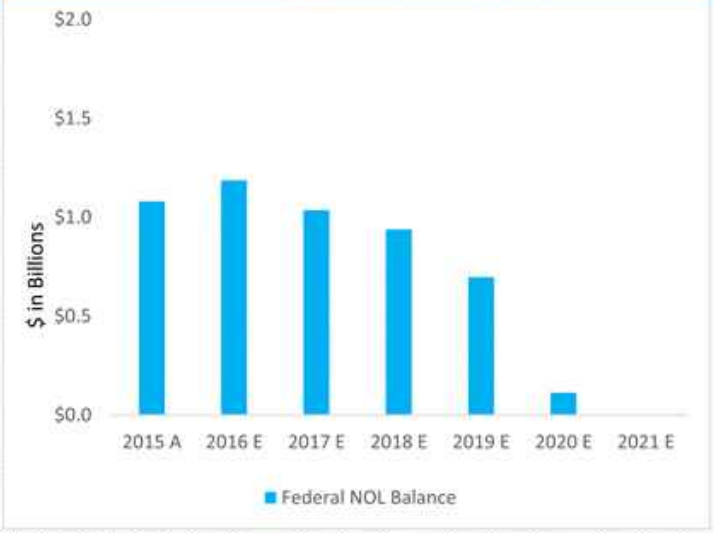
*Includes both fixed rate and short term debt. A denotes actual; E denotes estimated.

December 2016

Strong Cash Flow from Operations

Strong Cash Flow from Operations

Federal Net Operating Loss (NOL) Position Continues Through 2020



A denotes actual; E denotes estimated

A Top Leader in Dividend Growth

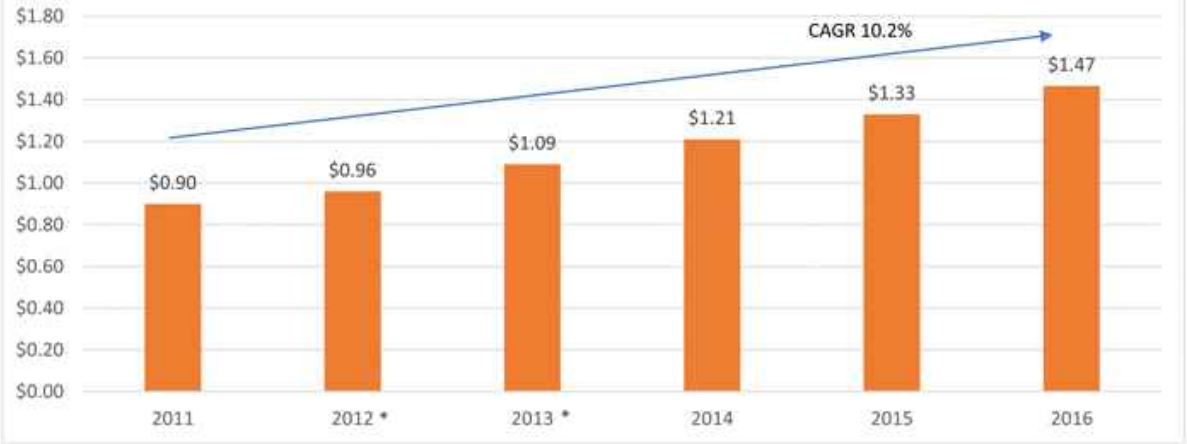
10.2% Dividend CAGR since 2011

Current dividend **$0.375** / quarter

Target to grow dividends in line with **7-10%** EPS growth

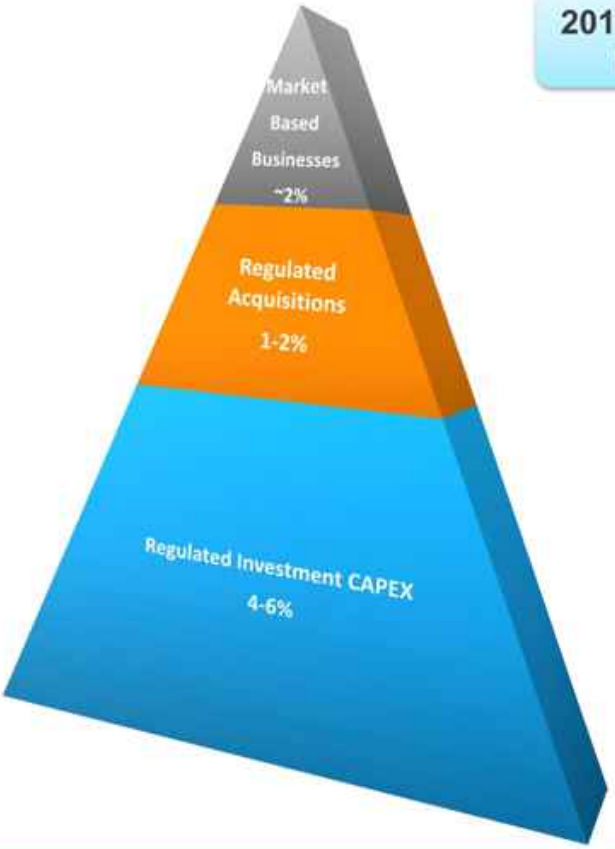
Target payout ratio **50-60%** of earnings

American Water Dividends 2011-2016*



*The dividend normally paid in 1Q 2013 was actually accelerated and paid in late December 2012 to allow shareholders to take advantage of 2012 dividend tax rates. For the purposes of this presentation, this $0.25 dividend has been deducted from 2012 and added to 2013 to show the more normal dividend trend.

Financial Overview:
Continuing Delivery of Shareholder Value



2017 - 2021 Plan

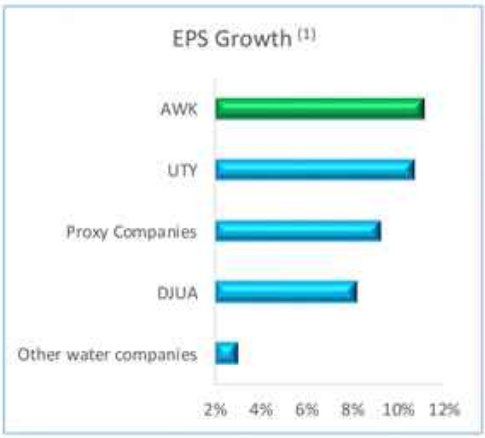
Targets:

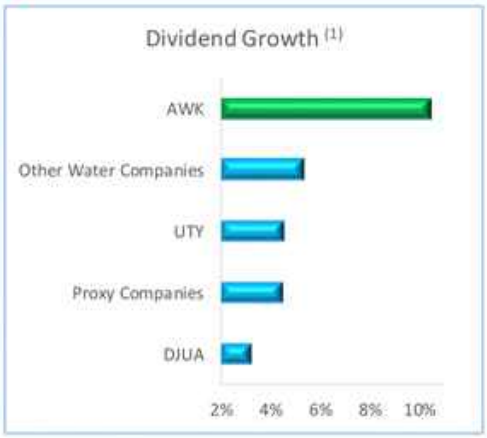
- ✓ Grow EPS long term at 7-10%...
  ... One of the fastest growing utilities in the nation
- ✓ Maintain our predominantly regulated risk profile...
  ... Market based businesses targeted to represent 10-15% of earnings
- ✓ Decades of regulated investment needed; fragmented market provides consolidation opportunities
- ✓ Target to grow dividends in line with earnings...
  ... Payout ratio between 50-60% of earnings
- ✓ Strong balance sheet and operating cash flows
- ✓ Deliver superior total shareholder return
  ... Combined EPS and dividend growth

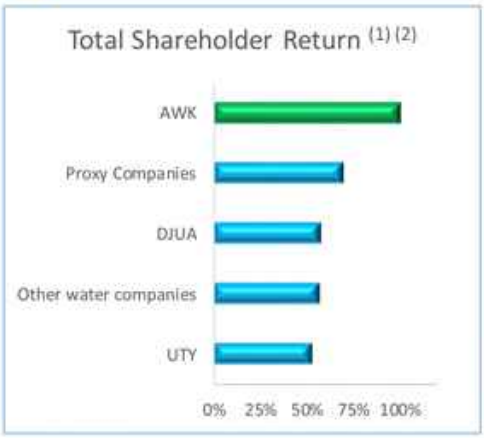
Wrap Up

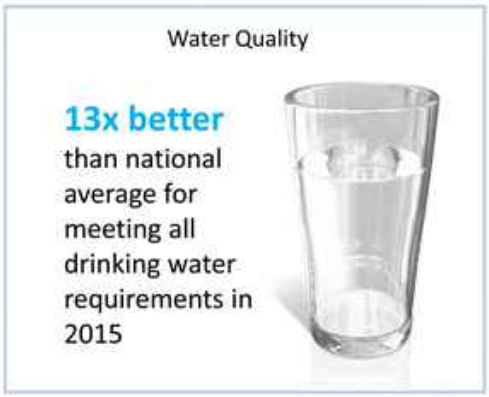
Susan Story
President and Chief Executive Officer

American Water – Top Leader in the Utility Sector









1) CAGR for 2013 – September 2016. For EPS Growth, 2016 is consensus
2) Total shareholder return assumes dividends reinvested for each security included in the index
Source: Bloomberg

December 2016

American Water Key Takeaways

Industry leading, multi-decade growth

from infrastructure investment and consolidation of a fragmented market

Track record of executing our strategies

Differentiated strategy

converging people, technology and innovation to deliver superior customer service, water quality and efficiency

Investor Relations Contacts:

Ed Vallejo
Vice President – Investor Relations
Edward.vallejo@amwater.com

Melissa Schwarzell
Director– Investor Relations
Melissa.Schwarzell@amwater.com

Tel: 856-566-4005
Fax: 856-782-2782

AWK LISTED NYSE

New website design at www.amwater.com coming January 2017

Appendix

Non-GAAP Financial Information

This presentation includes adjusted earnings per share ("Adjusted EPS") both as 2016 non-GAAP earnings guidance and as the 2014 EPS compound annual growth anchor, both of which constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. Adjusted EPS as 2016 non-GAAP earnings guidance is defined as 2016 GAAP EPS, excluding the impact in the third quarter of 2016 of the binding global agreement in principle related to the Freedom Industries chemical spill (the "Settlement"). Adjusted EPS as the 2014 EPS compound annual growth anchor is defined as 2014 GAAP EPS, excluding the impact of costs incurred in 2014 related to the Freedom Industries chemical spill. Adjusted EPS should not be considered an alternative to the GAAP measure.

Management believes that the presentation of Adjusted EPS as described above is useful to American Water's investors because it provides an indication of American Water's forecasted baseline performance excluding items that are not considered to be reflective of ongoing results. Management does not intend for Adjusted EPS to represent results as defined by GAAP, and the reader should not consider it as an indicator of American Water's forecasted performance. American Water's definition of Adjusted EPS may not be comparable to the same or similar measures used by other companies, and, accordingly, it may have significant limitations on its use.

This presentation also includes regulated segment O&M efficiency ratios, both historical and forward-looking, which excludes from their calculation for each period presented one or more items, including estimated purchased water revenues and purchased water expenses, the impact of the Freedom Industries chemical spill, the impact of the Settlement, the estimated impact of weather, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. These O&M efficiency ratios constitute "non-GAAP financial measures" under SEC rules. These ratios are derived from American Water's consolidated financial information but are not presented in its financial statements prepared in accordance with GAAP. These non-GAAP financial measures supplement and should be read in conjunction with American Water's GAAP disclosures and should not be considered an alternative to GAAP measures.

Management believes that the presentation of O&M efficiency ratios is useful to investors because it provides a means of evaluating American Water's operating performance without giving effect to items that are not reflective of management's ability to increase efficiency of American Water's regulated operations. In preparing operating plans, budgets and forecasts, and in assessing historical and future performance, management relies, in part, on trends in American Water's historical results and predictions of future results, exclusive of these items. American Water's definition of these ratios may not be comparable to the same or similar measures used by other companies, and, accordingly, these non-GAAP financial measures may have significant limitations on their use. American Water is unable to present a reconciliation of adjustments to the components of its forward-looking O&M efficiency ratio without unreasonable effort because management cannot reliably predict the nature, amount or probable significance of all the adjustments for future periods; however, these adjustments may, individually or in the aggregate, cause the non-GAAP financial measure component of the forward-looking ratio to differ significantly from its most directly comparable GAAP financial measure.

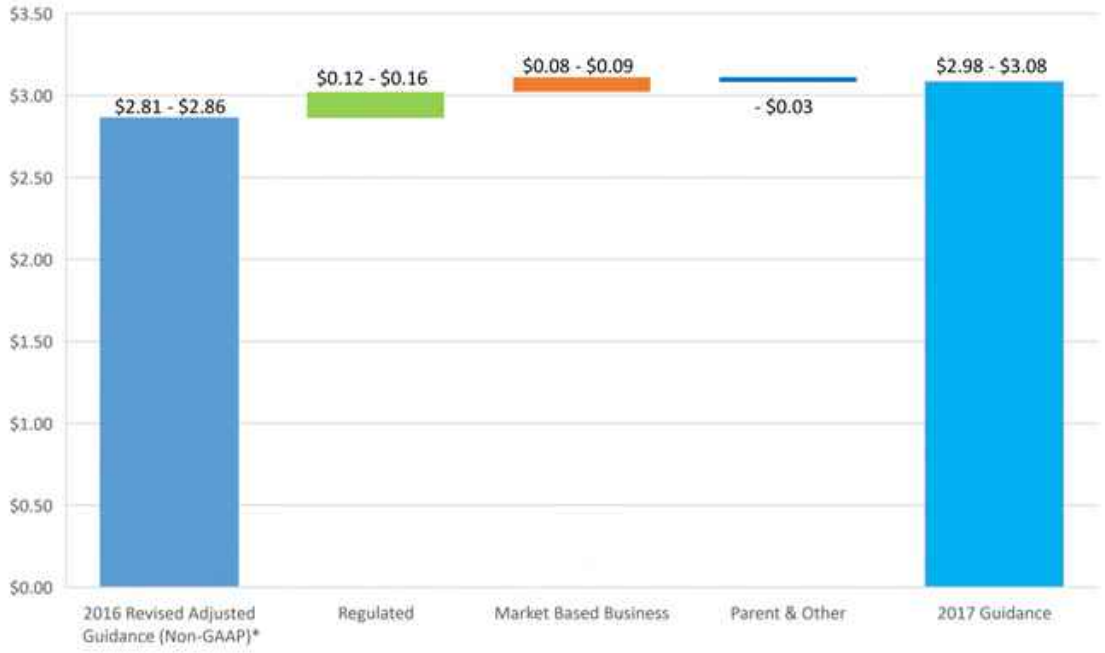
Set forth in this appendix are tables that reconcile Adjusted EPS as 2016 non-GAAP earnings guidance and as the 2014 EPS compound annual growth anchor, each to GAAP EPS, and each of the components of its historical O&M efficiency ratios to its most directly comparable GAAP financial measure.

How American Water grows Earnings: Rate of Return Regulation in the United States

Prudent Investment Drives Need for Rate Cases

American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

Growth Drivers: 2016 Adjusted EPS Guidance $2.81-$2.86* to 2017 GAAP EPS Guidance $2.98-$3.08



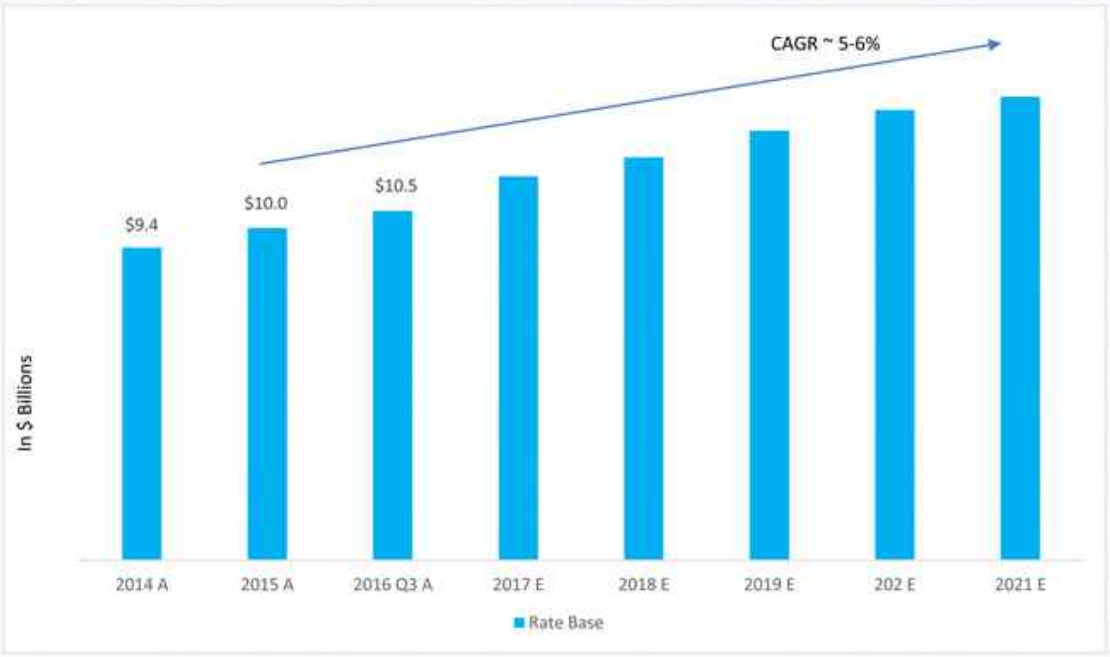
*Revised 2016 EPS GAAP guidance $2.59-$2.64. Revised 2016 Non-GAAP EPS guidance excludes $0.22 related to Freedom Industries binding global agreement in principle. See last slide of appendix for reconciliation and other further information.

2017 Guidance and Major Variables Included in the Range

*Fluctuations outside this range could cause results to vary

Decades of Investment Needed in U.S. Water and Wastewater Infrastructure

Rate Base Growth ~5-6% through 2021
Based on Capital Plan of $6.7 - $7.3 Billion



A denotes actual; E denotes estimated

How O&M Efficiency Translates to Investment Growth

Saving $1 in opex vs investing $7 in capital at allowed ROE, keeps customer rates neutral and can create $0.34 in sustainable earnings

	$1 Expense Savings	$7 Invested Capital
a) Revenue Requirement	$ 1.00	$ 1.00
Expenses		
O&M	0.96	$ -
Depreciation	-	$ 0.18 [2]
Interest Expense	-	$ 0.19 [3]
Property & General Taxes	0.04 [1]	$ 0.08 [4]
b) Total Expenses	1.00	$ 0.44
c) Operating Income (=a-b)	-	$ 0.56
d) Federal & State Income Taxes	-	$ 0.22 [5]
e) Net Income to Shareholder (=c-d)	$ -	$ 0.34 [6]

A lower cost of debt means $7 of capital, instead of $6, is possible for every $1 of expense saved

[1] Assumes 4% taxes on revenue (gross receipts e.g.)

[2] Assumes 2.5% depreciation expense

[3] Assumes 50% debt financing at 5.3%

[4] Assumes property taxes on invested capital of 0.5% and revenue taxes of 4%

[5] Assumes effective income tax rate of 39%

[6] Assumes authorized ROE of 9.9% on 49.6% equity

2016 Closed and Pending Acquisitions as of Dec. 7, 2016

Closed Acquisitions

Sate	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	2	493		493
Iowa	1	730		730
Illinois	3	319	340	659
Kentucky	1		107	107
Missouri	3	234	350	584
New Jersey	1		5,315	5,315
New York	1	93		93
Pennsylvania	1		3,100	3,100
Total	13	1,869	9,212	11,081

Pending Acquisitions

Sate	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
California	3	2,265		2,265
Iowa	2	869		869
Illinois	2	725		725
Missouri	1		70	70
New Jersey	1	11,000		11,000
New York	5	360		360
Pennsylvania*	3		53,000	53,000
West Virginia	1	215		215
Total	18	15,434	53,070	68,504

*This includes the McKeesport, PA acquisition, which represents 22,000 customer equivalents, due to bulk contracts. Connections to the system will be approximately 10,200.

Regulated Utilities: Rate Base & Authorized Return on Equity as of December 12, 2016*

Last Rate Case Awarded - Largest Regulated Subsidiaries

	California American Water		Illinois American Water		Indiana American Water		Kentucky American Water		Missouri American Water	
Authorized Rate Base*	$439,448		$706,386		$841,915	(b)	$405,704	(b)	$1,132,843	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%	(f)	9.75%	(f)
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	47.36%	(d)	50.04%	(d)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		8/28/2016		7/20 & 7/22/2016	

	New Jersey American Water		New York American Water		Pennsylvania American Water		Virginia American Water		West Virginia American Water	
Authorized Rate Base*	$2,386,790		$128,882	(e)	$2,425,711	(b)	$119,254	(b)	$529,212	
Authorized ROE	9.75%		9.65%	(e)	10.25%	(f)	9.75%		9.75%	
Authorized Equity	52.00%		42.00%	(e)	51.69%	(d)	42.67%	(d)	45.80%	
Effective Date of Rate Case	9/21/2015		4/1/2012	(e)	1/1/2014		12/12/2012	(g)	2/25/2016	

**Rate Base stated in $000s*

Notes:

a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.

b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.

c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base

d) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.

e) Information pertains only to the former company of Long Island American Water.

f) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.

g) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

* Not updated for Illinois rate case order received 12/13/2016. Order still being analyzed.

Rate Cases Awaiting Final Order as of December 12, 2016*

Rate Cases Awaiting Final Order

A. Rate Cases Filed

Company	Docket / Case Number	Date Filed	Annualized Revenue Increase		ROE Requested	Rate Base
Virginia	Case No. 2015-00097	10/30/2015	$8.7	(a)	10.75%	$162.2
Illinois	Docket No 16-0093	1/21/2016	40.0	(b)	10.75%	899.3
New York	Case No. 16-W-0259	4/29/2016	8.5		10.75%	278.4
Iowa	Case No. RPU-2016-0002	4/29/2016	5.1	(c)	10.80%	108.0
California	Case No. A.16-07-002	7/1/2016	34.6	(d)	NA	493.9
			$96.9			**$1,941.8**

B. Infrastructure Charges Filed

Tennessee		11/4/2016	$1.7			$18.4
			$1.7			**$18.4**

(a) The rate base requested includes $6.7 million for Other Public Authority customers not regulated by the State Corporation Commission ("SCC"). Interim rates were effective on April 1, 2016, under bond and subject to refund

(b) The revenue amount requested includes $40.0 million for water and wastewater operations, these amounts exclude the $9.5 million in QIP revenue previously allowed for a total request of $49.5 million.

(c) Iowa rates were increased on an interim basis, under bond and subject to refund, effective 5/9/2016 in the amount of $2.1 million on an annual basis.

(d) For this final application, Test Year 2018 revenue requirement request is $34.56 million. This excludes the step rate and attrition rate increase for 2019 and 2020 of $8.48 million and $7.74 million, respectively. The total revenue requirement request for the three year rate case cycle is $50.78 million.

* Not updated for Illinois rate case order received 12/13/2016. Order still being analyzed.

Rate Cases Effective December 1, 2015 – December 12, 2016*

Rates Effective since December 1, 2015 (including WV DSIC effective 1/1/2017	Date Effective	Annualized Revenue Increase	
C. Step Increases			
California	1/1/2016-1/4/2016	$1.9	
		$1.9	
D. Infrastructure Charges			
New York (SIC)	12/1/2015	0.7	
Pennsylvania (DSIC - W & WW)	1/1/2016	10.5	
Illinois (QIP)	1/1/2016	1.0	
New York (SIC)	3/15/2016	0.3	
Tennessee	3/15/2016	2.2	
Pennsylvania (DSIC - W)	4/1/2016	2.2	
Indiana (DSIC)	5/4/2016	3.0	
New Jersey (DSIC) WR15060724	6/1/2016	9.0	
Pennsylvania (DSIC - W)	7/1/2016	5.8	
Illinois (QIP)	8/1/2016	6.2	
Pennsylvania (DSIC - W)	10/1/2016	8.8	
New Jersey (DSIC) WR15060724	12/1/2016	10.2	
West Virginia (DSIC)	1/1/2017	1.5	
		$61.4	
E. Rate Cases			
Indiana	1/29/2016	1.6	
West Virginia	2/25/2016	18.3	(a)
Michigan	5/1/2016	0.2	(b)
Missouri	7/20 & 7/22/2016	4.5	(c)
Kentucky	8/28/2016	6.5	(d)
		$31.1	

(a) The revenues authorized includes $18,170k for water operations and $151k for wastewater operations.
(b) Michigan does not require a formal rate case proceeding as water is not regulated in Michigan.
(c) An increase of $3.4 million for water customers is effective on 7/20/2016 and an increase of $1.1 million for wastewater customers is effective on 7/22/2016.
(d) KY PSC approved a black box settlement with all parties for $6.5 million, effective 8/28/2016.

* Not updated for Illinois rate case order received 12/13/2016. Order still being analyzed.

System Consolidation Legislation by Year

- **1997:**
  - California: Public Water System Investment and Consolidation Act of 1997
- **2012:**
  - Pennsylvania: Act 11 (HB 1294)
- **2013**
  - Illinois: Water Systems Viability Act (HB 1379)
  - Missouri: Acquisition of Small Water Utilities (HB 142)
- **2015:**
  - New Jersey: Water Infrastructure Protection Act (S 2412)
  - Indiana: Acquisition of Distressed Water or Wastewater Utilities (HEA 1319)
  - Indiana: Sale of Nonsurplus Water Utility Property (HEA 1505)
- **2016:**
  - Pennsylvania: Act 12 (HB 1326)
  - Indiana: (SB 257)
  - Pennsylvania: Act 154 (SB 881)

Reconciliation Table: Regulated Segment O&M Efficiency Ratio

Regulated Segment O&M Efficiency Ratio (A Non-GAAP Unaudited Number) ($ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	12 Months Ended 9/30/2016
Total Operations and Maintenance Expense	$1,272	$1,280	$1,330	$1,289	$1,350	$1,404	$1,511
Less:							
Operations and Maintenance Expense – Market Based Operations	237	257	256	241	289	358	391
Operations and Maintenance Expense – Other	(61)	(69)	(57)	(57)	(51)	(49)	(42)
Total Regulated Operations and Maintenance Expense	$1,095	$1,092	$1,131	$1,105	$1,112	$1,095	$1,162
Less:							
Allocation of non-O&M costs to Regulated O&M expense	29	31	35	35	39	35	29
Regulated Purchased Water Expense	100	99	110	111	122	117	120
Impact of West Virginia Freedom Industries Chemical Spill	-	-	-	-	10	-	-
Impact of Freedom Industries Legal Settlement							65
Estimated impact of weather (mid-point of range)	-	-	4	(2)	(2)	-	-
Adjusted Regulated Operations and Maintenance Expense (a)	**$966**	**$962**	**$982**	**$961**	**$943**	**$943**	**$948**
Total Operating Revenues	$2,535	$2,642	$2,854	$2,879	$3,011	$3,159	$3,283
Less:							
Operating Revenues – Market Based Operations	275	303	307	303	355	434	464
Operating Revenues – Other	(25)	(30)	(18)	(18)	(18)	(18)	(17)
Total Regulated Operating Revenues	$2,286	$2,369	$2,565	$2,594	$2,674	$2,743	$2,836
Less:							
Regulated Purchased Water expense*	100	99	110	111	122	117	120
Plus:							
Impact of West Virginia Freedom Industries Chemical Spill	-	-	-	-	1	-	-
Estimated impact of weather (mid-point of range)	-	-	(43)	15	17	-	-
Adjusted Regulated operating revenues (b)	**$2,186**	**$2,270**	**$2,412**	**$2,498**	**$2,570**	**$2,626**	**$2,716**
Regulated O&M Efficiency Ratio (a)/(b)	**44.2%**	**42.4%**	**40.7%**	**38.5%**	**36.7%**	**35.9%**	**34.9%**

*Calculation assumes purchased water revenues approximate purchased water expenses.

Reconciliation Table: Previous Anchor of 2014 Adjusted Diluted Earnings Per Share from Continuing Operations (Non-GAAP)

Diluted Earnings Per Common Share	2014
Earnings Per Share GAAP	$ 2.35
Less:	
Income / (Loss) from discontinued opeations	(0.04)
Diluted EPS from continuing operations - GAAP	**$ 2.39**
Add:	
Freedom Industries Chemical Spill in West Virginia	$ 0.06
Tax Impact	(0.02)
Adjusted diluted EPS from continuing operations (non-GAAP)	**$ 2.43**

Reconciliation Table: Revised 2016 EPS Guidance (Non-GAAP) with Adjustments

Reconciliation of 2016 Revised Earnings Guidance (Non-GAAP) to 2016 Revised GAAP Earnings Guidance		
	Low End	High End
Revised Guidance with Adjustments (Non-GAAP)	$ 2.81	$ 2.86
Adjustment for Freedom Industries Binding Global Agreement In Principle	(0.37)	(0.37)
Adjustment for Tax Impact of Freedom Industries Binding Global Agreement in Principle	0.15	0.15
Revised GAAP Guidance	$ 2.59	$ 2.64

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Section 1: 8-K (FORM 8-K - SCRANTON SEWER ACQUISITION)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 29, 2016

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware	**51-0063696**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

1025 Laurel Oak Road
Voorhees, NJ 08043
(Address of principal executive offices, including zip code)

(856) 346-8200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD.

On December 29, 2016, Pennsylvania-American Water Company ("PAWC"), a wholly owned subsidiary of American Water Works Company, Inc. (the "Company"), issued a press release announcing that PAWC has completed the acquisition (the "System Purchase") of substantially all of the wastewater collection and treatment system assets of The Sewer Authority of the City of Scranton (the "SSA"). A copy of the press release has been included as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference in response to this Item 7.01. A copy of an Acquisition Fact Sheet, dated December 29, 2016, to be used by the Company in connection with discussions about the System Purchase, has been included as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated by reference in response to this Item 7.01.

The information furnished in response to this Item 7.01, including Exhibits 99.1 and 99.2, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall they be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01 Other Events.

On December 29, 2016, PAWC completed the System Purchase pursuant to the terms and conditions of that certain Asset Purchase Agreement, dated March 29, 2016, by and between PAWC and the SSA.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission (the "SEC") on February 25, 2016, and other filings with the SEC, and additional risks and uncertainties, including with respect to (1) the occurrence of the benefits and synergies expected or predicted to occur as a result of the completion of the System Purchase; (2) unexpected costs, liabilities or delays associated with the System Purchase or the integration of the System Assets; (3) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect PAWC; (4) PAWC's ability to comply with the terms and conditions of the Consent Decree after the closing of the System Purchase; and (5) other economic, political, business and other factors.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company's annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's or PAWC's business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been furnished herewith:

Exhibit Number	Description
99.1	Press Release, dated December 29, 2016, issued by Pennsylvania-American Water Company.
99.2	Acquisition Fact Sheet, dated December 29, 2016.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 29, 2016

By: /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1*	Press Release, dated December 29, 2016, issued by Pennsylvania-American Water Company.
99.2*	Acquisition Fact Sheet, dated December 29, 2016.

* Furnished herewith.

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Section 2: EX-99.1 (EX-99.1 PAWC PRESS RELEASE)

Exhibit 99.1

FOR IMMEDIATE RELEASE

CONTACT: Susan Turcmanovich
Pennsylvania American Water
T: 570-351-0120
Pager: 888-441-2138
susan.turcmanovich@amwater.com

PENNSYLVANIA AMERICAN WATER CLOSES ACQUISITION OF SCRANTON WASTEWATER SYSTEM

Transaction ranks among largest wastewater acquisition in company history

SCRANTON, Pa. (December 29, 2016) – Pennsylvania American Water, a wholly owned subsidiary of American Water, announced today that it has completed the acquisition of the wastewater system assets of the Scranton Sewer Authority (SSA). The purchase price is approximately $195 million.

The newly acquired system provides wastewater service to approximately 31,000 customers in Scranton and Dunmore. Pennsylvania American Water already provides water service to residents and businesses in both communities. The transaction represents one of American Water's largest wastewater acquisitions in the parent company's history.

"This acquisition marks a significant milestone for our company and our employees, based on the size and scope of this wastewater operation and the environmental challenges facing the system," said Pennsylvania American Water President Kathy L. Pape. "We bring both the technical expertise and financial resources to meet these challenges and provide a long-term wastewater solution, while establishing a plan to maintain reasonable rates for the customers."

The transaction's closing follows a lengthy regulatory approval process by the U.S. Environmental Protection Agency (EPA), Pennsylvania Department of Environmental Protection (DEP), the U.S. Department of Justice, and the Pennsylvania Public Utility Commission (PUC). The wastewater system is under an EPA Consent Decree that mandates significant upgrades, totaling an estimated $140 million, to bring the system into environmental compliance. As the system's owner, Pennsylvania American Water will continue the projects started by the SSA and assume the SSA's obligations under the Consent Decree.

As part of the PUC's approval of the purchase, Pennsylvania American Water agreed to adopt the existing wastewater rates for customers served by the SSA system, although such rates will now be billed on a monthly rather than bi-monthly basis. The PUC regulates the company's rates, rules and regulations of service, so any future rate change will need to be reviewed and approved by the PUC.

"Our employees have been providing water service for a long time for the Scranton and Dunmore communities, and we are very pleased to now be the wastewater provider as well," said Pape. "We are also excited to welcome the SSA employees to the Pennsylvania American Water team."

All of the approximately 80 SSA workers who operate the wastewater system have been offered employment. The employees are represented by the Teamsters Union, Local 229, who voted on Dec. 2, to ratify a new contract offered by Pennsylvania American Water. The employees gain immediate access to the training, development and career opportunities in any of the operations of Pennsylvania American Water or its parent company.

PENNSYLVANIA AMERICAN WATER CLOSES ACQUISITION OF SCRANTON WASTEWATER SYSTEM

Pennsylvania American Water's purchase of the sewer system enables SSA to pay off its existing debt.

Under the purchase agreement, Pennsylvania American Water also committed to bring 100 new jobs to Scranton by 2020. "As we continue to invest in the region and expand our operations, these will be important jobs to support not only Pennsylvania but the growth of our national footprint," said American Water Chief Operating Officer Walter Lynch. "We expect the new jobs to generate a very positive economic impact for the Greater Scranton Area."

This acquisition adds to the company's series of large municipal wastewater transactions. In December 2015, Pennsylvania American Water acquired the wastewater assets of Fairview Township, York County. On October 31, 2016, the company purchased the wastewater assets of the Borough of New Cumberland in Cumberland County. In September 2016, Pennsylvania American Water executed an agreement to acquire the wastewater system assets of the Municipal Authority of the City of McKeesport, Allegheny County, which is currently pending regulatory approvals. Pennsylvania American Water now operates wastewater systems in Adams, Beaver, Butler, Chester, Clarion, Cumberland, Lackawanna, Monroe, Northumberland, Pike, Washington and York counties.

Pennsylvania American Water, a wholly owned subsidiary of American Water (NYSE: AWK), is the largest water utility in Pennsylvania, providing high-quality and reliable water and/or wastewater services to approximately 2.3 million people. Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. Marking its 130th anniversary this year, the company employs more than 6,700 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found at www.amwater.com.

Cautionary Statement Concerning Forward-Looking Statements
Certain statements in this press release are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to, among other things, anticipated capital investments, the ability of Pennsylvania American Water to comply with the Consent Decree, and the ability to achieve certain benefits, synergies and goals relating to the transaction and the acquired operations. These statements are based on the current expectations of management of Pennsylvania American Water. There are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements, including with respect to (1) the occurrence of the benefits and synergies expected or predicted to occur as a result of the acquisition; (2) unexpected costs, liabilities or delays associated with the integration of the acquired business; (3) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect Pennsylvania American Water; (4) Pennsylvania American Water's ongoing compliance with the Consent Decree; and (5) other economic, business and other factors. Forward-looking statements are not guarantees or assurances of future performance or results, and Pennsylvania American Water and its affiliates do not undertake any duty to update any forward-looking statement.

# # #

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Section 3: EX-99.2 (EX-99.2 ACQUISITION FACT SHEET)

Exhibit 99.2

AMERICAN WATER: ACQUISITION OF SCRANTON SEWER AUTHORITY ASSETS

Acquisition Overview

•Acquisition consistent with American Water's strategy to grow its regulated business by acquiring

wastewater customers in areas where it already provides water service to customers.

- Acquisition benefits from Pennsylvania Act 11 legislation which was enacted to facilitate investment in wastewater systems.
- Purchase price of $195 million, or approximately $156 million after considering cash included among assets acquired from seller.
- Transaction expected to be accretive in the first year after close (2017)
- The Sewer Authority identified capital investment needs of $140 million over the next 25 years to comply with the Consent Decree agreed to with the U.S. Environmental Protection Agency and others.
- American Water expects to finance this acquisition with cash flow from operations and debt.
- American Water has been successful at achieving several key milestones including: receiving approval of the transaction from the Pennsylvania Public Utility Commission, amending the Consent Decree through agreement with multiple governmental agencies, developing a new sewer discharge permit reflecting Pennsylvania American Water ownership of the utility, and executing a collective bargaining agreement with Teamsters on behalf of the utility's existing union workforce.
- The acquired operations will operate as a part of Pennsylvania American Water; with offers of employment to all Sewer Authority employees, along with American Water's commitment to bring 100 additional jobs to the community.

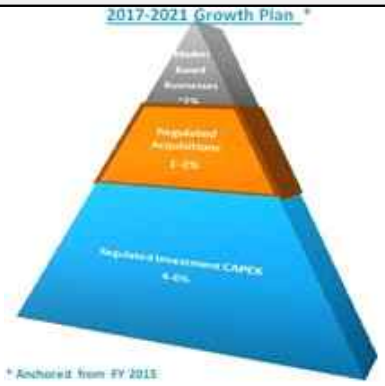
KEY FACTS	
Customers	31,000
Miles of collection & interceptor sewers	275+
Treatment Plant Capacity (MGD)	20
Booster Stations	7

Acquisition Financing

- American Water has sufficient financing capacity to fund the transaction

Acquisition Strategy

- Proposed acquisition strengthens the company's position in wastewater sector.
- Acquisition of wastewater customers in existing water footprint allows Pennsylvania American Water to achieve operating efficiencies
- As the largest regulated water & wastewater utility in the United States and Pennsylvania, this acquisition further increases scale, demonstrating American Water as the preferred partner for water and wastewater acquisitions.



Acquisition is Within Pennsylvania American's Existing Water Footprint

Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. Marking its 130th anniversary this year, the company employs more than 6,700 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found at www.amwater.com.

The Scranton Sewer Authority was established in 1968 to implement plans for a wastewater treatment plant and interceptor sewers. Today, the Sewer Authority provides wastewater services to 31,000 customers in the City of Scranton and the Borough of Dunmore.

"This deal means significant long- term rate mitigation, a more thorough and complete program of environmental stewardship, increased efficiency and customer service, and it keeps the Authority's jobs intact while adding 100 new ones in Scranton by 2020."

- William L. Courtright, Mayor of Scranton

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this Acquisition Fact Sheet are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to, among other things: anticipated capital investments in the system; the ability to achieve certain benefits, synergies and goals relating to the transaction and the acquired operations; and the ability to comply with the Consent Decree. These statements are based on the current expectations of management of American Water and Pennsylvania American Water. There are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements, which are disclosed in American Water's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on December 29, 2016. Forward-looking statements are not guarantees or assurances of future performance or results, and American Water and Pennsylvania American Water do not undertake any duty to update any forward-looking statement.

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KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 29

Description of Filing Requirement:

Current Chart of Accounts

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX29_112818.

Kentucky-American Water Company
Chart of Accounts

GL Account	GL Account Description	NARUC96	NARUC96 Account Description
10130100	UPIS - Organization	C3011	Organization
10130200	UPIS - Franchises	C3021	Franchises
10130320	UPIS - Land & Land Rights - Source of Supply	C3032	Land & Land Rights S
10130330	UPIS - Land & Land Rights - Pumping	C3032	Land & Land Rights S
10130340	UPIS - Land & Land Rights - Water Treatment	C3033	Land & Land Rights W
10130350	UPIS - Land & Land Rights - Transmission & Distrib	C3034	Land & Land Rights T
10130360	UPIS - Land & Land Rights - Admin & General	C3035	Land & Land Rights A
10130410	UPIS - Struct & Imp - Source of Supply	C3042	Struct & Improve SS
10130420	UPIS - Struct & Imp - Pumping	C3042	Struct & Improve SS
10130430	UPIS - Struct & Imp - Water Treatment	C3043	Struct & Improve WT
10130440	UPIS - Struct & Imp - Transmission & Distribution	C3044	Struct & Improve TD
10130450	UPIS - Struct & Imp - Admin & General	C3045	Struct & Improve AG
10130500	UPIS - Collect & Impounding	C3052	Collecting & Impound
10130600	UPIS - Lake & River & Other	C3062	Lake, River & Other
10130700	UPIS - Wells & Springs	C3072	Wells & Springs
10130800	UPIS - Infiltration Galleries	C3082	Infiltration Galleri
10130900	UPIS - Supply Mains	C3092	Supply Mains
10131000	UPIS - Power Generation Equipment	C3102	Power Generation Equ
10131020	UPIS - Boiler Plant Equipment	C3112	Pumping Equipment SS
10131110	UPIS - Pumping Equipment - Steam	C3112	Pumping Equipment SS
10131120	UPIS - Pumping Equipment - Electric	C3112	Pumping Equipment SS
10131130	UPIS - Pumping Equipment - Diesel	C3112	Pumping Equipment SS
10131140	UPIS - Pumping Equipment - Hydraulic	C3112	Pumping Equipment SS
10131150	UPIS - Pumping Equipment - Other	C3112	Pumping Equipment SS
10131152	UPIS - Pumping Equipment - Source of Supply	C3112	Pumping Equipment SS
10131153	UPIS - Pumping Equipment - Water Treatment	C3113	Pumping Equipment WT
10131154	UPIS - Pumping Equipment - Transmission & Distrib	C3114	Pumping Equipment TD
10132010	UPIS - Water Treatment Equipment	C3203	Water Treatment Equi
10133000	UPIS - Distribution Reservoirs & Standpipes	C3304	Dist Reservoirs & St
10133100	UPIS - Transmission & Distribution Mains	C3314	TD Mains
10133200	UPIS - Fire Mains	C3314	TD Mains
10133300	UPIS - Services	C3334	Services
10133410	UPIS - Meters	C3344	Meters & Meter Insta
10133420	UPIS - Meter Installations	C3344	Meters & Meter Insta
10133500	UPIS - Hydrants	C3354	Hydrants
10133600	UPIS - Backflow Prevention	C3364	Backflow Prevention
10133910	UPIS - Other P/E - Intangible	C3391	Other Plant & Equip
10133920	UPIS - Other P/E - Source of Supply	C3392	Other Plant & Equip
10133930	UPIS - Other P/E - Water Treatment	C3393	Other Plant & Equip
10133950	UPIS - Other P/E - Transmission & Distribution	C3394	Other Plant & Equip
10134010	UPIS - Office Furniture & Equipment	C3405	Office Furniture & E
10134100	UPIS - Transportation Equipment	C3415	Transportation Equip
10134200	UPIS - Stores Equipment	C3425	Stores Equipment
10134300	UPIS - Tools-Shop-Garage Equipment	C3435	Tools, Shop, Garage
10134400	UPIS - Laboratory Equipment	C3445	Laboratory Equipment

Kentucky-American Water Company
Chart of Accounts

GL Account	GL Account Description	NARUC96	NARUC96 Account Description
10134500	UPIS - Power Operated Equipment	C3455	Power Operated Equip
10134600	UPIS - Communication Equipment	C3465	Communication Equip
10134700	UPIS - Misc Equipment	C3475	Miscellaneous Equip
10134800	UPIS - Other Tangible Property	C3485	Other Tangible Plant
10135100	UPIS - WW Organization	C3511	WW Organization
10135200	UPIS - WW Franchises	C3521	WW Franchises
10135220	UPIS - WW Other Intangible	C3521	WW Franchises
10135320	UPIS - WW Land & Land Rights - Coll	C3532	WW Land & Ld Rights
10135330	UPIS - WW Land & Land Rights - SPP	C3533	WW Land & Ld Rights
10135340	UPIS - WW Land & Land Rights - TDP	C3534	WW Land & Ld Rights
10135350	UPIS - WW Land & Land Rights - General	C3537	WW Land & Ld Rights
10135420	UPIS - WW Struct & Imp - Coll	C3542	WW Struct & Imp Coll
10135430	UPIS - WW Struct & Imp - SPP	C3543	WW Struct & Imp SPP
10135440	UPIS - WW Struct & Imp - TDP	C3544	WW Struct & Imp TDP
10135450	UPIS - WW Struct & Imp - General	C3547	WW Struct & Imp Gen
10135520	UPIS - WW Pwr Gen Equipment - Col	C3552	WW Pwr Gen Equip Col
10135530	UPIS - WW Pwr Gen Equipment - SPP	C3553	WW Pwr Gen Equip SPP
10135540	UPIS - WW Pwr Gen Equipment - TDP	C3554	WW Pwr Gen Equip TDP
10135550	UPIS - WW Pwr Gen Equipment - RWT	C3555	WW Pwr Gen Equip RWT
10135560	UPIS - WW Pwr Gen Equipment - RWD	C3556	WW Pwr Gen Equip RWD
10136000	UPIS - WW Collection Sewers	C3602	WW Collection Sewers
10136110	UPIS - WW Collecting Mains	C3612	WW Collection Sewers
10136200	UPIS - WW Special Coll Struct	C3622	WW Special Coll Stru
10136300	UPIS - WW Services Sewer	C3632	WW Services Sewer
10136400	UPIS - WW Flow Measuring Device	C3642	WW Flow Measuring De
10136500	UPIS - WW Flow Measuring Install	C3652	WW Flow Measuring In
10137000	UPIS - WW Receiving Wells	C3703	WW Receiving Wells
10137110	UPIS - WW Pump Equipment - Elect	C3713	WW Pumping Equipment
10137120	UPIS - WW Pump Equipment - Oth Pwr	C3713	WW Pumping Equipment
10138000	UPIS - WW - Transmission & D244Distribution Equip	C3804	WW TD Equipment
10138100	UPIS - WW Plant Sewers	C3814	WW Plant Sewers
10138200	UPIS - WW Outfall Sewer Line	C3824	WW Outfall Sewer Lin
10138910	UPIS - WW Oth Plant & Misc Equipment	C3891	WW Oth Plt&Misc Eq I
10138920	UPIS - WW Oth Plant & Misc Equipment - Coll	C3892	WW Oth Plt&Misc Eq C
10138930	UPIS - WW Oth Plant & Misc Equipment - SPP	C3893	WW Oth Plt&Misc Eq S
10138940	UPIS - WW Oth Plant & Misc Equipment - TDP	C3894	WW Oth Plt&Misc Eq T
10139000	UPIS - WW Office Furniture	C3907	WW Office Furniture
10139100	UPIS - WW Transportation Equipment	C3917	WW Transportation Eq
10139200	UPIS - WW Stores Equipment	C3927	WW Stores Equip
10139300	UPIS - WW Tool Shop & Garage	C3937	WW Tools,Shop,Garage
10139400	UPIS - WW Laboratory Equipment	C3947	WW Laboratory Equipm
10139500	UPIS - WW Power Operated Equipment	C3957	WW Power Operated Eq
10139600	UPIS - WW Communication Equipment	C3967	WW Communications Eq
10139700	UPIS - WW Misc Equipment	C3977	WW Misc Equipment
10139800	UPIS - WW Other Tangible Pl	C3987	WW Other Tangible Pr

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
10190000	Reg Asset-AFUDC-Debt	C101	UP In Service
10230100	Leased - Organization	C3011	Organization
10230320	Leased - Land & Land Rights - Source of Supply	C3032	Land & Land Rights S
10230330	Leased - Land & Land Rights - Pumping	C3032	Land & Land Rights S
10230340	Leased - Land & Land Rights - Water Treatment	C3033	Land & Land Rights W
10230350	Leased - Land & Land Rights - Transmission & Distr	C3034	Land & Land Rights T
10230360	Leased - Land & Land Rights - Admin & General	C3035	Land & Land Rights A
10230410	Leased - Struct & Imp - Source of Supply	C3042	Struct & Improve SS
10230420	Leased - Struct & Imp - Pumping	C3042	Struct & Improve SS
10230430	Leased - Struct & Imp - Water Treatment	C3043	Struct & Improve WT
10230440	Leased - Struct & Imp - Transmission & Distrib	C3044	Struct & Improve TD
10230450	Leased - Struct & Imp - Admin & General	C3045	Struct & Improve AG
10230500	Leased - Collect & Impounding	C3052	Collecting & Impound
10230600	Leased - Lake - River & Other	C3062	Lake, River & Other
10230900	Leased - Supply Mains	C3092	Supply Mains
10231000	Leased - Power Generation Equipment	C3102	Power Generation Equ
10231120	Leased - Pump Equipment Electric	C3112	Pumping Equipment SS
10232010	Leased - WT Equipment	C3203	Water Treatment Equi
10233000	Leased - Distribution Reservoirs & Standpipes	C3304	Dist Reservoirs & St
10233100	Leased - TD Mains	C3314	TD Mains
10233300	Leased - Services	C3334	Services
10233410	Leased - Meters	C3344	Meters & Meter Insta
10233420	Leased - Meter Installations	C3344	Meters & Meter Insta
10233500	Leased - Hydrants	C3354	Hydrants
10233950	Leased - Other P/E - Transmission & Distribution	C3394	Other Plant & Equip
10234010	Leased - Office Furniture & Equipment	C3405	Office Furniture & E
10234100	Leased - Transportation Equipment	C3415	Transportation Equip
10234200	Leased - Stores Equipment	C3425	Stores Equipment
10234300	Leased - Tools-Shop-Garage Equipment	C3435	Tools, Shop, Garage
10234400	Leased - Laboratory Equipment	C3445	Laboratory Equipment
10234500	Leased - Power Operated Equipment	C3455	Power Operated Equip
10234600	Leased - Comm Equipment Not Class	C3465	Communication Equip
10234700	Leased - Misc Equipment	C3475	Miscellaneous Equip
10300000	Property Held Future	C103	Prop Held for Future
10400000	Utility Plant Purchased or Sold	C104	UP Purchased or Sold
10630100	CCNC Organization	C3011	Organization
10630200	CCNC Franchises	C3021	Franchises
10630320	CCNC Land & Land Rights - Source of Supply	C3032	Land & Land Rights S
10630330	CCNC Land & Land Rights - Pumping	C3032	Land & Land Rights S
10630340	CCNC Land & Land Rights - Water Treatment	C3033	Land & Land Rights W
10630350	CCNC Land & Land Rights - Transmssn & Distr	C3034	Land & Land Rights T
10630360	CCNC Land & Land Rights - Adm & Gen	C3035	Land & Land Rights A
10630410	CCNC Struct & Imp - Source of Supply	C3042	Struct & Improve SS
10630420	CCNC Struct & Imp - Pumping	C3042	Struct & Improve SS
10630430	CCNC Struct & Imp - Water Treatment	C3043	Struct & Improve WT

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
10630440	CCNC Struct & Imp - Transmission & Distribution	C3044	Struct & Improve TD
10630450	CCNC Struct & Imp - Admin & General	C3045	Struct & Improve AG
10630500	CCNC Collect & Impounding	C3052	Collecting & Impound
10630600	CCNC Lake - River & Other	C3062	Lake, River & Other
10630700	CCNC Wells & Springs	C3072	Wells & Springs
10630800	CCNC Infiltration Galleries	C3082	Infiltration Galleri
10630900	CCNC Supply Mains	C3092	Supply Mains
10631000	CCNC Power Generation Equipment	C3102	Power Generation Equ
10631020	CCNC Boiler Plant Equipment	C3112	Pumping Equipment SS
10631110	CCNC Pumping Equipment - Steam	C3112	Pumping Equipment SS
10631120	CCNC Pumping Equipment - Electric	C3112	Pumping Equipment SS
10631130	CCNC Pumping Equipment - Diesel	C3112	Pumping Equipment SS
10631140	CCNC Pumping Equipment - Hydraulic	C3112	Pumping Equipment SS
10631150	CCNC Pumping Equipment - Other	C3112	Pumping Equipment SS
10631152	CCNC Pumping Equipment - Source of Supply	C3112	Pumping Equipment SS
10631153	CCNC Pumping Equipment - Water Treatment	C3113	Pumping Equipment WT
10631154	CCNC Pumping Equipment - Transmssn & Distr	C3114	Pumping Equipment TD
10632010	CCNC - Water Treatment Equipment - Non-Media	C3203	Water Treatment Equi
10633000	CCNC - Distribution Reservoirs & Standpipes	C3304	Dist Reservoirs & St
10633100	CCNC - Transmssn & Distr Mains Not Classified	C3314	TD Mains
10633200	CCNC Fire Mains	C3314	TD Mains
10633300	CCNC Services	C3334	Services
10633410	CCNC Meters	C3344	Meters & Meter Insta
10633420	CCNC Meter Installations	C3344	Meters & Meter Insta
10633500	CCNC Hydrants	C3354	Hydrants
10633600	CCNC Backflow Prevention	C3364	Backflow Prevention
10633910	CCNC Other P/E Intangible	C3391	Other Plant & Equip
10633920	CCNC Other P/E - Source of Supply	C3392	Other Plant & Equip
10633930	CCNC Other P/E - Water Treatment	C3393	Other Plant & Equip
10633950	CCNC Other P/E - Transmission & Distribution	C3394	Other Plant & Equip
10634010	CCNC Office Furniture & Equipment	C3405	Office Furniture & E
10634100	CCNC Transportation Equipment Not Classified	C3415	Transportation Equip
10634200	CCNC Stores Equipment	C3425	Stores Equipment
10634300	CCNC Tools-Shop-Garage Equipment	C3435	Tools, Shop, Garage
10634400	CCNC Laboratory Equipment	C3445	Laboratory Equipment
10634500	CCNC Power Operated Equipment	C3455	Power Operated Equip
10634600	CCNC Communication Equipment	C3465	Communication Equip
10634700	CCNC Misc Equipment	C3475	Miscellaneous Equip
10634800	CCNC Other Tangible Property	C3485	Other Tangible Plant
10635320	CCNC WW Land & Land Rights - Coll	C3532	WW Land & Ld Rights
10635330	CCNC WW Land & Land Rights - SPP	C3533	WW Land & Ld Rights
10635340	CCNC WW Land & Land Rights - TDP	C3534	WW Land & Ld Rights
10635350	CCNC WW Land & Land Rights - Gen	C3537	WW Land & Ld Rights
10635420	CCNC WW Struct & Imp - Coll	C3542	WW Struct & Imp Coll
10635430	CCNC WW Struct & Imp - SPP	C3543	WW Struct & Imp SPP

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
10635440	CCNC WW Struct & Imp - TDP	C3544	WW Struct & Imp TDP
10635450	CCNC WW Struct & Imp - Gen	C3547	WW Struct & Imp Gen
10635520	CCNC WW Power Gen Equipment - Col	C3552	WW Pwr Gen Equip Col
10635530	CCNC WW Power Gen Equipment - SPP	C3553	WW Pwr Gen Equip SPP
10635540	CCNC WW Power Gen Equipment - TDP	C3554	WW Pwr Gen Equip TDP
10635550	CCNC WW Power Gen Equipment - RWT	C3555	WW Pwr Gen Equip RWT
10635560	CCNC WW Power Gen Equipment - RWD	C3556	WW Pwr Gen Equip RWD
10636000	CCNC WW Collection Sewers	C3602	WW Collection Sewers
10636110	CCNC WW Collecting Mains	C3612	WW Collection Sewers
10636200	CCNC WW Special Coll Stru	C3622	WW Special Coll Stru
10636300	CCNC WW Services Sewer	C3632	WW Services Sewer
10636400	CCNC WW Flow Measuring De	C3642	WW Flow Measuring De
10636500	CCNC WW Flow Measuring In	C3652	WW Flow Measuring In
10637000	CCNC WW Receiving Wells	C3703	WW Receiving Wells
10637110	CCNC WW Pump Equipment - Elect	C3713	WW Pumping Equipment
10637120	CCNC WW Pump Equipment - Oth Pwr	C3713	WW Pumping Equipment
10638000	CCNC WW TD Equipment	C3804	WW TD Equipment
10638100	CCNC WW Plant Sewers	C3814	WW Plant Sewers
10638200	CCNC WW Outfall Sewer Line	C3824	WW Outfall Sewer Lin
10638910	CCNC WW Oth Plant & Misc Equipment	C3891	WW Oth Plt&Misc Eq I
10638920	CCNC WW Oth Plant & Misc Eq - Coll	C3892	WW Oth Plt&Misc Eq C
10638930	CCNC WW Oth Plant & Misc Eq - SPP	C3893	WW Oth Plt&Misc Eq S
10638940	CCNC WW Oth Plant & Misc Eq - TDP	C3894	WW Oth Plt&Misc Eq T
10639000	CCNC WW Office Furniture	C3907	WW Office Furniture
10639100	CCNC WW Transportation Equipment	C3917	WW Transportation Eq
10639200	CCNC WW Stores Equipment	C3927	WW Stores Equip
10639300	CCNC WW Tool Shop & Garage Equip	C3937	WW Tools,Shop,Garage
10639400	CCNC WW Laboratory Equipment	C3947	WW Laboratory Equipm
10639500	CCNC WW Power Operated Equip	C3957	WW Power Operated Eq
10639600	CCNC WW Communication Equip	C3967	WW Communications Eq
10639700	CCNC WW Misc Equipment	C3977	WW Misc Equipment
10639800	CCNC WW Other Tangible Pl	C3987	WW Other Tangible Pr
10700000	CWIP	C105	CWIP
10780000	CWIP - Workbasket Accrual	C105	CWIP
10780100	CWIP - Backhoe Clearing	C105	CWIP
10780110	CWIP - Eng Clearing Dist Overhead	C105	CWIP
10780120	CWIP - Eng Clearing Eng Overhead	C105	CWIP
10780130	CWIP - Management Study - AMR	C105	CWIP
10780140	CWIP - Management Study - Pipe	C105	CWIP
10780150	CWIP - Interdistrict Clearing	C105	CWIP
10790000	CWIP - Capital Settlement Clearing	C105	CWIP
10801000	Accum Depreciation - Utility Plant in Service	C1081	Accu Depr-UP in Serv
10802000	Accum Depreciation - Salvage/Scrap	C1081	Accu Depr-UP in Serv
10803000	Accum Depreciation - Asset Sale	C1081	Accu Depr-UP in Serv
10804000	Accum Depreciation - Original Cost	C1081	Accu Depr-UP in Serv

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
10810000	Accum Depreciation - Reg Asset	C1081	Accu Depr-UP in Serv
10820000	Accum Depreciation - Utility Plant Leased to Othrs	C1082	Accu Depr-UP Leased
10830000	Accum Depreciation - Property Held for Future Use	C1083	Accu Depr-Future Use
10840000	Accum Amortization - Utility Plant in Service	C1101	Accu Amort-UP in Ser
10850000	Accum Amortization - Utility Plant Capital Lease	C1101	Accu Amort-UP in Ser
11410000	UPAA - Above The Line	C114	UPAA
11415000	UPAA - Above The Line - Accum Amortization	C115	Accu Amort-UPAA
11420000	UPAA - Above The Line Depreciation	C114	UPAA
11425000	UPAA - Above The Line Depr - Accum Depreciation	C115	Accu Amort-UPAA
11430000	UPAA - Neg Post 1/1/06	C114	UPAA
11435000	UPAA - Neg Post 1/1/06 - Accum Amortization	C115	Accu Amort-UPAA
12110000	Non-Utility Property - Land	C121	Nonutility Property
12120000	Non-Utility Property - Buildings	C121	Nonutility Property
12130003	Non-Utility Property - Capital Lease 3yr	C121	Nonutility Property
12130004	Non-Utility Property - Capital Lease 4yr	C121	Nonutility Property
12130005	Non-Utility Property - Capital Lease 5yr	C121	Nonutility Property
12130007	Non-Utility Property - Capital Lease 7yr	C121	Nonutility Property
12130010	Non-Utility Property - Capital Lease 10yr	C121	Nonutility Property
12130015	Non-Utility Property - Capital Lease 15yr	C121	Nonutility Property
12140000	Non-Utility Property - Leasehold Improvement	C121	Nonutility Property
12150000	Non-Utility Property - Other 10 Yr	C121	Nonutility Property
12150010	Non-Utility Property - Other 5yr	C121	Nonutility Property
12150020	Non-Utility Property - Other 7yr	C121	Nonutility Property
12150030	Non-Utility Property - Other 4 Yr	C121	Nonutility Property
12150040	Non-Utility Property - Other Hardware	C121	Nonutility Property
12150050	Non-Utility Property - Other Software	C121	Nonutility Property
12150080	Non-Utility Property - Other Enterprise	C121	Nonutility Property
12180000	Non-Utility Property - CWIP	C121	Nonutility Property
12200000	Non-Utility Property - Accum Depreciation	C122	Accu Depr/Amort NUP
12210000	Non-Utility Property - Accum Amortization Cap Lse	C122	Accu Depr/Amort NUP
12310000	Goodwill	C123	Investment in Assoc
12320000	Goodwill - Post 1/1/06 UPAA	C114	UPAA
12400000	Investments - Outside	C125	Other Investments
12401000	Investment in Joint Venture	C125	Other Investments
12401100	Investment in Group Share Joint Venture	C125	Other Investments
12410000	Investment in Assoc Co's	C123	Investment in Assoc
12420000	Investment in Assoc Co's Preferred Stock	C123	Investment in Assoc
12510000	Intangibles - Finite Life	C123	Investment in Assoc
12515000	Intangibles - Finite Life - Accum Amort	C123	Investment in Assoc
13112000	PNC AWK - Main	C1312	Cash in Bank
13112001	PNC AWK - Outbound Wire	C1312	Cash in Bank
13112002	PNC AWK - Outbound ACH	C1312	Cash in Bank
13112003	PNC AWK - Outbound Check	C1312	Cash in Bank
13112004	PNC AWK - Inbound Wires & ACH	C1312	Cash in Bank
13112017	PNC AWK - Misc Debits/Credits	C1312	Cash in Bank

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13112100	PNC AWR - Main	C1312	Cash in Bank
13112101	PNC AWR - Outbound Wire	C1312	Cash in Bank
13112102	PNC AWR - Outbound ACH	C1312	Cash in Bank
13112103	PNC AWR - Outbound Check	C1312	Cash in Bank
13112104	PNC AWR - Inbound Wires & ACH	C1312	Cash in Bank
13112116	PNC AWR - NSF Return Payments	C1312	Cash in Bank
13112117	PNC AWR - Misc Debits/Credits	C1312	Cash in Bank
13112400	PNC Pennvest - Main	C1312	Cash in Bank
13112401	PNC Pennvest - Outbound Wire	C1312	Cash in Bank
13112402	PNC Pennvest - Outbound ACH	C1312	Cash in Bank
13112404	PNC Pennvest - Inbound Wires & ACH	C1312	Cash in Bank
13112417	PNC Pennvest - Misc Debits/Credits	C1312	Cash in Bank
13112500	PNC Investment IL - Main	C1312	Cash in Bank
13112501	PNC Investment IL - Outbound Wire	C1312	Cash in Bank
13112502	PNC Investment IL - Outbound ACH	C1312	Cash in Bank
13112504	PNC Investment IL - Inbound Wires & ACH	C1312	Cash in Bank
13112517	PNC Investment IL - Misc Debits/Credits	C1312	Cash in Bank
13112700	PNC VA - Main	C1312	Cash in Bank
13112701	PNC VA - Main - Outbound Wire	C1312	Cash in Bank
13112702	PNC VA - Main - Outbound ACH	C1312	Cash in Bank
13112717	PNC VA - Main - Misc Debits/Credits	C1312	Cash in Bank
13112800	PNC WV Green Metering - Main	C1312	Cash in Bank
13112801	PNC WV Green Metering - Outbound Wire	C1312	Cash in Bank
13112802	PNC WV Green Metering - Outbound ACH	C1312	Cash in Bank
13112804	PNC WV Green Metering - Inbound Wires & ACH	C1312	Cash in Bank
13112817	PNC WV Green Metering - Misc Debits/Credits	C1312	Cash in Bank
13115100	PNC ETown Corporate - Main	C1312	Cash in Bank
13115101	PNC ETown Corporate - Outbound Wire	C1312	Cash in Bank
13115102	PNC ETown Corporate - Outbound ACH	C1312	Cash in Bank
13115103	PNC ETown Corporate - Outbound Check	C1312	Cash in Bank
13115104	PNC ETown Corporate - Inbound Wires & ACH	C1312	Cash in Bank
13115116	PNC ETown Corporate - NSF Return Payments	C1312	Cash in Bank
13115117	PNC ETown Corporate - Misc Debits/Credits	C1312	Cash in Bank
13115700	PNC ETown Properties - Main	C1312	Cash in Bank
13115701	PNC ETown Properties - Outbound Wire	C1312	Cash in Bank
13115702	PNC ETown Properties - Outbound ACH	C1312	Cash in Bank
13115703	PNC ETown Properties - Outbound Check	C1312	Cash in Bank
13115704	PNC ETown Properties - Inbound Wires & ACH	C1312	Cash in Bank
13115716	PNC ETown Properties - NSF Return Payments	C1312	Cash in Bank
13115717	PNC ETown Properties - Misc Debits/Credits	C1312	Cash in Bank
13161200	US Bank KY - Main	C1312	Cash in Bank
13161206	US Bank KY - Customer Direct Debit	C1312	Cash in Bank
13161208	US Bank KY - Customer Lockbox	C1312	Cash in Bank
13161209	US Bank KY - Credit Card and E-Checks	C1312	Cash in Bank
13161211	US Bank KY - FiServ (aka CheckFree)	C1312	Cash in Bank

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13161212	US Bank KY - Penn Credit	C1312	Cash in Bank
13161213	US Bank KY - E-Return - US Bank	C1312	Cash in Bank
13161214	US Bank KY -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13161216	US Bank KY - NSF Return Payments	C1312	Cash in Bank
13118000	PNC Laurel Oak Properties - Main	C1312	Cash in Bank
13118001	PNC Laurel Oak Properties - Outbound Wire	C1312	Cash in Bank
13118002	PNC Laurel Oak Properties - Outbound ACH	C1312	Cash in Bank
13118003	PNC Laurel Oak Properties - Outbound Check	C1312	Cash in Bank
13118004	PNC Laurel Oak Properties - Inbound Wires & ACH	C1312	Cash in Bank
13118016	PNC Laurel Oak Properties - NSF Return Payments	C1312	Cash in Bank
13118017	PNC Laurel Oak Properties - Misc Debits/Credits	C1312	Cash in Bank
13118500	PNC ACUS Corp/Ashbrook - Main (Closed early 2012)	C1312	Cash in Bank
13119000	PNC Thames Water Holding Inc - Main	C1312	Cash in Bank
13119001	PNC Thames Water Holding Inc - Outbound Wire	C1312	Cash in Bank
13119002	PNC Thames Water Holding Inc - Outbound ACH	C1312	Cash in Bank
13119003	PNC Thames Water Holding Inc - Outbound Check	C1312	Cash in Bank
13119004	PNC Thames Water Holding Inc - Inbound Wires & ACH	C1312	Cash in Bank
13119016	PNC Thames Water Holding Inc - NSF Return Payments	C1312	Cash in Bank
13119017	PNC Thames Water Holding Inc - Misc Debits/Credits	C1312	Cash in Bank
13119100	PNC TWNA - Main	C1312	Cash in Bank
13119101	PNC TWNA - Outbound Wire	C1312	Cash in Bank
13119102	PNC TWNA - Outbound ACH	C1312	Cash in Bank
13119103	PNC TWNA - Outbound Check	C1312	Cash in Bank
13119104	PNC TWNA - Inbound Wires & ACH	C1312	Cash in Bank
13119116	PNC TWNA - NSF Return Payments	C1312	Cash in Bank
13119117	PNC TWNA - Misc Debits/Credits	C1312	Cash in Bank
13120000	BNYM - Concentration	C1312	Cash in Bank
13120001	BNYM-Conc - Outbound Wire	C1312	Cash in Bank
13120004	BNYM-Conc - Inbound Wires & ACH	C1312	Cash in Bank
13120005	BNYM-Conc - ZBA Activity	C1312	Cash in Bank
13120006	BNYM-Conc - Customer Direct Debit	C1312	Cash in Bank
13120007	BNYM-Conc - Customer ACH	C1312	Cash in Bank
13120008	BNYM-Conc - Customer Lockbox	C1312	Cash in Bank
13120009	BNYM-Conc - Online Resources Credit Corp	C1312	Cash in Bank
13120010	BNYM-Conc - First Tech	C1312	Cash in Bank
13120011	BNYM-Conc - FiServ (fka CheckFree)	C1312	Cash in Bank
13120012	BNYM-Conc - Penn Credit	C1312	Cash in Bank
13120013	BNYM-Conc - E-Return - Mellon	C1312	Cash in Bank
13120014	BNYM-Conc - E-Return - Online Resource Ck Conv	C1312	Cash in Bank
13120015	BNYM-Conc - Customer Accts Receiv Ck Conversion	C1312	Cash in Bank
13120016	BNYM-Conc - NSF Return Payments	C1312	Cash in Bank
13120017	BNYM-Conc - Misc Debits/Credits	C1312	Cash in Bank
13120100	BNYM Pass thru-IL	C1312	Cash in Bank
13120101	BNYM Pass thru-IL - Outbound Wire	C1312	Cash in Bank
13120104	BNYM Pass thru-IL - Inbound Wires & ACH	C1312	Cash in Bank

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13120106	BNYM Pass thru-IL - Customer Direct Debit	C1312	Cash in Bank
13120107	BNYM Pass thru-IL - Customer ACH	C1312	Cash in Bank
13120108	BNYM Pass thru-IL - Customer Lockbox	C1312	Cash in Bank
13120109	BNYM Pass thru-IL - Online Resources Credit Corp	C1312	Cash in Bank
13120110	BNYM Pass thru-IL - First Tech	C1312	Cash in Bank
13120111	BNYM Pass thru-IL - FiServ (fka CheckFree)	C1312	Cash in Bank
13120112	BNYM Pass thru-IL - Penn Credit	C1312	Cash in Bank
13120113	BNYM Pass thru-IL - E-Return - Mellon	C1312	Cash in Bank
13120114	BNYM Pass thru-IL - E-Return - Online Rsrc Ck Conv	C1312	Cash in Bank
13120115	BNYM Pass thru-IL - Customer A/R Ck Conversion	C1312	Cash in Bank
13120116	BNYM Pass thru-IL - NSF Return Payments	C1312	Cash in Bank
13120117	BNYM Pass thru-IL - Misc Debits/Credits	C1312	Cash in Bank
13120200	BNYM Pass thru-NJ	C1312	Cash in Bank
13120201	BNYM Pass thru-NJ - Outbound Wire	C1312	Cash in Bank
13120204	BNYM Pass thru-NJ - Inbound Wires & ACH	C1312	Cash in Bank
13120206	BNYM Pass thru-NJ - Customer Direct Debit	C1312	Cash in Bank
13120207	BNYM Pass thru-NJ - Customer ACH	C1312	Cash in Bank
13120208	BNYM Pass thru-NJ - Customer Lockbox	C1312	Cash in Bank
13120209	BNYM Pass thru-NJ - Online Resources Credit Corp	C1312	Cash in Bank
13120211	BNYM Pass thru-NJ - FiServ (fka CheckFree)	C1312	Cash in Bank
13120212	BNYM Pass thru-NJ - Penn Credit	C1312	Cash in Bank
13120213	BNYM Pass thru-NJ - E-Return - Mellon	C1312	Cash in Bank
13120214	BNYM Pass thru-NJ - E-Return - Online Rsrc Ck Conv	C1312	Cash in Bank
13120215	BNYM Pass thru-NJ - Customer A/R Ck Conversion	C1312	Cash in Bank
13120216	BNYM Pass thru-NJ - NSF Return Payments	C1312	Cash in Bank
13120217	BNYM Pass thru-NJ - Misc Debits/Credits	C1312	Cash in Bank
13120300	BNYM Pass thru-NE	C1312	Cash in Bank
13120301	BNYM Pass thru-NE - Outbound Wire	C1312	Cash in Bank
13120304	BNYM Pass thru-NE - Inbound Wires & ACH	C1312	Cash in Bank
13120306	BNYM Pass thru-NE - Customer Direct Debit	C1312	Cash in Bank
13120307	BNYM Pass thru-NE - Customer ACH	C1312	Cash in Bank
13120308	BNYM Pass thru-NE - Customer Lockbox	C1312	Cash in Bank
13120309	BNYM Pass thru-NE - Online Resources Credit Corp	C1312	Cash in Bank
13120310	BNYM Pass thru-NE - First Tech	C1312	Cash in Bank
13120311	BNYM Pass thru-NE - FiServ (fka CheckFree)	C1312	Cash in Bank
13120312	BNYM Pass thru-NE - Penn Credit	C1312	Cash in Bank
13120313	BNYM Pass thru-NE - E-Return - Mellon	C1312	Cash in Bank
13120314	BNYM Pass thru-NE - E-Return - Online Rsrc Ck Conv	C1312	Cash in Bank
13120315	BNYM Pass thru-NE - Customer A/R Ck Conversion	C1312	Cash in Bank
13120316	BNYM Pass thru-NE - NSF Return Payments	C1312	Cash in Bank
13120317	BNYM Pass thru-NE - Misc Debits/Credits	C1312	Cash in Bank
13120400	BNYM Pass thru-CA	C1312	Cash in Bank
13120401	BNYM Pass thru-CA - Outbound Wire	C1312	Cash in Bank
13120404	BNYM Pass thru-CA - Inbound Wires & ACH	C1312	Cash in Bank
13120406	BNYM Pass thru-CA - Customer Direct Debit	C1312	Cash in Bank

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13120407	BNYM Pass thru-CA - Customer ACH	C1312	Cash in Bank
13120408	BNYM Pass thru-CA - Customer Lockbox	C1312	Cash in Bank
13120409	BNYM Pass thru-CA - Online Resources Credit Corp	C1312	Cash in Bank
13120411	BNYM Pass thru-CA - FiServ (fka CheckFree)	C1312	Cash in Bank
13120412	BNYM Pass thru-CA - Penn Credit	C1312	Cash in Bank
13120413	BNYM Pass thru-CA - E-Return - Mellon	C1312	Cash in Bank
13120414	BNYM Pass thru-CA - E-Return - Online Rsrc Ck Conv	C1312	Cash in Bank
13120415	BNYM Pass thru-CA - Customer A/R Ck Conversion	C1312	Cash in Bank
13120416	BNYM Pass thru-CA - NSF Return Payments	C1312	Cash in Bank
13120417	BNYM Pass thru-CA - Misc Debits/Credits	C1312	Cash in Bank
13121000	BNYM IN	C1312	Cash in Bank
13121001	BNYM IN - Outbound Wire	C1312	Cash in Bank
13121004	BNYM IN - Inbound Wires & ACH	C1312	Cash in Bank
13121006	BNYM IN - Customer Direct Debit	C1312	Cash in Bank
13121007	BNYM IN - Customer ACH	C1312	Cash in Bank
13121008	BNYM IN - Customer Lockbox	C1312	Cash in Bank
13121009	BNYM IN - Credit Card and E-Checks	C1312	Cash in Bank
13121010	BNYM IN - First Tech	C1312	Cash in Bank
13121012	BNYM IN - Penn Credit - 3rd Party Collections	C1312	Cash in Bank
13121013	BNYM IN - E-Return - Mellon	C1312	Cash in Bank
13121014	BNYM IN -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13121015	BNYM IN - Customer A/R Ck Conversion	C1312	Cash in Bank
13121016	BNYM IN - NSF Return Payments	C1312	Cash in Bank
13121017	BNYM IN - Misc Debits/Credits	C1312	Cash in Bank
13121018	BNYM IN - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121100	BNYM IA	C1312	Cash in Bank
13121101	BNYM IA - Outbound Wire	C1312	Cash in Bank
13121104	BNYM IA - Inbound Wires & ACH	C1312	Cash in Bank
13121106	BNYM IA - Customer Direct Debit	C1312	Cash in Bank
13121107	BNYM IA - Customer ACH	C1312	Cash in Bank
13121108	BNYM IA - Customer Lockbox	C1312	Cash in Bank
13121109	BNYM IA - Credit Card and E-Checks	C1312	Cash in Bank
13121110	BNYM IA - Firstech Collections	C1312	Cash in Bank
13121111	BNYM IA - FiServ (fka CheckFree)	C1312	Cash in Bank
13121112	BNYM IA - Penn Credit	C1312	Cash in Bank
13121113	BNYM IA - E-Return - Mellon	C1312	Cash in Bank
13121114	BNYM IA -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13121115	BNYM IA - Customer A/R Ck Conversion	C1312	Cash in Bank
13121116	BNYM IA - NSF Return Payments	C1312	Cash in Bank
13121117	BNYM IA - Misc Debits/Credits	C1312	Cash in Bank
13121118	BNYM IA - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121200	BNYM KY	C1312	Cash in Bank
13121201	BNYM KY - Outbound Wire	C1312	Cash in Bank
13121204	BNYM KY - Inbound Wires & ACH	C1312	Cash in Bank
13121206	BNYM KY - Customer Direct Debit	C1312	Cash in Bank

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13121207	BNYM KY - Customer ACH	C1312	Cash in Bank
13121208	BNYM KY - Customer Lockbox	C1312	Cash in Bank
13121209	BNYM KY - Credit Card and E-Checks	C1312	Cash in Bank
13121211	BNYM KY - FiServ (fka CheckFree)	C1312	Cash in Bank
13121212	BNYM KY - Penn Credit	C1312	Cash in Bank
13121213	BNYM KY - E-Return - Mellon	C1312	Cash in Bank
13121214	BNYM KY -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13121215	BNYM KY - Customer A/R Ck Conversion	C1312	Cash in Bank
13121216	BNYM KY - NSF Return Payments	C1312	Cash in Bank
13121217	BNYM KY - Misc Debits/Credits	C1312	Cash in Bank
13121218	BNYM KY - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121300	BNYM MD	C1312	Cash in Bank
13121301	BNYM MD - Outbound Wire	C1312	Cash in Bank
13121304	BNYM MD - Inbound Wires & ACH	C1312	Cash in Bank
13121306	BNYM MD - Customer Direct Debit	C1312	Cash in Bank
13121307	BNYM MD - Customer ACH	C1312	Cash in Bank
13121308	BNYM MD - Customer Lockbox	C1312	Cash in Bank
13121309	BNYM MD - Credit Card and E-Checks	C1312	Cash in Bank
13121311	BNYM MD - FiServ (fka CheckFree)	C1312	Cash in Bank
13121312	BNYM MD - Penn Credit	C1312	Cash in Bank
13121313	BNYM MD - E-Return - Mellon	C1312	Cash in Bank
13121314	BNYM MD -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13121315	BNYM MD - Customer A/R Ck Conversion	C1312	Cash in Bank
13121316	BNYM MD - NSF Return Payments	C1312	Cash in Bank
13121317	BNYM MD - Misc Debits/Credits	C1312	Cash in Bank
13121318	BNYM MD - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121500	BNYM CA - Main	C1312	Cash in Bank
13121501	BNYM CA - Outbound Wire	C1312	Cash in Bank
13121504	BNYM CA - Inbound Wires & ACH	C1312	Cash in Bank
13121506	BNYM CA - Customer Direct Debit	C1312	Cash in Bank
13121507	BNYM CA - Customer ACH	C1312	Cash in Bank
13121508	BNYM CA - Customer Lockbox	C1312	Cash in Bank
13121509	BNYM CA - Credit Card and E-Checks	C1312	Cash in Bank
13121511	BNYM CA - FiServ (fka CheckFree)	C1312	Cash in Bank
13121512	BNYM CA - Penn Credit	C1312	Cash in Bank
13121513	BNYM CA - E-Return - Mellon	C1312	Cash in Bank
13121514	BNYM CA - Credit Card & Echeck E-Returns	C1312	Cash in Bank
13121515	BNYM CA - Customer A/R Ck Conversion	C1312	Cash in Bank
13121516	BNYM CA - NSF Return Payments	C1312	Cash in Bank
13121517	BNYM CA - Misc Debits/Credits	C1312	Cash in Bank
13121518	BNYM CA - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121700	BNYM MO	C1312	Cash in Bank
13121701	BNYM MO - Outbound Wire	C1312	Cash in Bank
13121704	BNYM MO - Inbound Wires & ACH	C1312	Cash in Bank
13121706	BNYM MO - Customer Direct Debit	C1312	Cash in Bank

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13121707	BNYM MO - Customer ACH	C1312	Cash in Bank
13121708	BNYM MO - Customer Lockbox	C1312	Cash in Bank
13121709	BNYM MO - Credit Card and E-Checks	C1312	Cash in Bank
13121710	BNYM MO - First Tech	C1312	Cash in Bank
13121712	BNYM MO - Penn Credit	C1312	Cash in Bank
13121713	BNYM MO - E-Return - Mellon	C1312	Cash in Bank
13121714	BNYM MO -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13121715	BNYM MO - Customer A/R Ck Conversion	C1312	Cash in Bank
13121716	BNYM MO - NSF Return Payments	C1312	Cash in Bank
13121717	BNYM MO - Misc Debits/Credits	C1312	Cash in Bank
13121718	BNYM MO - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121800	BNYM NJ	C1312	Cash in Bank
13121801	BNYM NJ - Outbound Wire	C1312	Cash in Bank
13121804	BNYM NJ - Inbound Wires & ACH	C1312	Cash in Bank
13121806	BNYM NJ - Customer Direct Debit	C1312	Cash in Bank
13121807	BNYM NJ - Customer ACH	C1312	Cash in Bank
13121808	BNYM NJ - Customer Lockbox	C1312	Cash in Bank
13121809	BNYM NJ - Credit Card and E-Checks	C1312	Cash in Bank
13121811	BNYM NJ - FiServ (fka CheckFree)	C1312	Cash in Bank
13121812	BNYM NJ - Penn Credit	C1312	Cash in Bank
13121813	BNYM NJ - E-Return - Mellon	C1312	Cash in Bank
13121814	BNYM NJ - Credit Card & Echeck E-Returns	C1312	Cash in Bank
13121815	BNYM NJ - Customer A/R Ck Conversion	C1312	Cash in Bank
13121816	BNYM NJ - NSF Return Payments	C1312	Cash in Bank
13121817	BNYM NJ - Misc Debits/Credits	C1312	Cash in Bank
13121818	BNYM NJ - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121900	BNYM NM	C1312	Cash in Bank
13121907	BNYM NM - Customer ACH	C1312	Cash in Bank
13121908	BNYM NM - Customer Lockbox	C1312	Cash in Bank
13121916	BNYM NM - NSF Return Payments	C1312	Cash in Bank
13121917	BNYM NM - Misc Debits/Credits	C1312	Cash in Bank
13122200	BNYM OH	C1312	Cash in Bank
13122207	BNYM OH - Customer ACH	C1312	Cash in Bank
13122208	BNYM OH - Customer Lockbox	C1312	Cash in Bank
13122216	BNYM OH - NSF Return Payments	C1312	Cash in Bank
13122217	BNYM OH - Misc Debits/Credits	C1312	Cash in Bank
13122300	BNYM AZ	C1312	Cash in Bank
13122307	BNYM AZ - Customer ACH	C1312	Cash in Bank
13122308	BNYM AZ - Customer Lockbox	C1312	Cash in Bank
13122316	BNYM AZ - NSF Return Payments	C1312	Cash in Bank
13122317	BNYM AZ - Misc Debits/Credits	C1312	Cash in Bank
13122400	BNYM PA	C1312	Cash in Bank
13122401	BNYM PA - Outbound Wire	C1312	Cash in Bank
13122404	BNYM PA - Inbound Wires & ACH	C1312	Cash in Bank
13122406	BNYM PA - Customer Direct Debit	C1312	Cash in Bank

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13122407	BNYM PA - Customer ACH	C1312	Cash in Bank
13122408	BNYM PA - Customer Lockbox	C1312	Cash in Bank
13122409	BNYM PA - Credit Card and E-Checks	C1312	Cash in Bank
13122411	BNYM PA - FiServ (fka CheckFree)	C1312	Cash in Bank
13122412	BNYM PA - Penn Credit	C1312	Cash in Bank
13122413	BNYM PA - E-Return - Mellon	C1312	Cash in Bank
13122414	BNYM PA -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13122415	BNYM PA - Customer A/R Ck Conversion	C1312	Cash in Bank
13122416	BNYM PA - NSF Return Payments	C1312	Cash in Bank
13122417	BNYM PA - Misc Debits/Credits	C1312	Cash in Bank
13122418	BNYM PA - Client Services - 3rd Party Collections	C1312	Cash in Bank
13122500	BNYM IL - Main	C1312	Cash in Bank
13122501	BNYM IL - Outbound Wire	C1312	Cash in Bank
13122504	BNYM IL - Inbound Wires & ACH	C1312	Cash in Bank
13122506	BNYM IL - Customer Direct Debit	C1312	Cash in Bank
13122507	BNYM IL - Customer ACH	C1312	Cash in Bank
13122508	BNYM IL - Customer Lockbox	C1312	Cash in Bank
13122509	BNYM IL - Credit Card and E-Checks	C1312	Cash in Bank
13122510	BNYM IL - First Tech	C1312	Cash in Bank
13122511	BNYM IL - FiServ (fka CheckFree)	C1312	Cash in Bank
13122512	BNYM IL - Penn Credit	C1312	Cash in Bank
13122513	BNYM IL - E-Return - Mellon	C1312	Cash in Bank
13122514	BNYM IL -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13122515	BNYM IL - Customer A/R Ck Conversion	C1312	Cash in Bank
13122516	BNYM IL - NSF Return Payments	C1312	Cash in Bank
13122517	BNYM IL - Misc Debits/Credits	C1312	Cash in Bank
13122518	BNYM IL - Client Services - 3rd Party Collections	C1312	Cash in Bank
13122600	BNYM TN	C1312	Cash in Bank
13122601	BNYM TN - Outbound Wire	C1312	Cash in Bank
13122604	BNYM TN - Inbound Wires & ACH	C1312	Cash in Bank
13122606	BNYM TN - Customer Direct Debit	C1312	Cash in Bank
13122607	BNYM TN - Customer ACH	C1312	Cash in Bank
13122608	BNYM TN - Customer Lockbox	C1312	Cash in Bank
13122609	BNYM TN - Credit Card and E-Checks	C1312	Cash in Bank
13122610	BNYM TN - Firstech Collections	C1312	Cash in Bank
13122611	BNYM TN - FiServ (fka CheckFree)	C1312	Cash in Bank
13122612	BNYM TN - Penn Credit	C1312	Cash in Bank
13122613	BNYM TN - E-Return - Mellon	C1312	Cash in Bank
13122614	BNYM TN - Credit Card & Echeck E-Returns	C1312	Cash in Bank
13122615	BNYM TN - Customer A/R Ck Conversion	C1312	Cash in Bank
13122616	BNYM TN - NSF Return Payments	C1312	Cash in Bank
13122617	BNYM TN - Misc Debits/Credits	C1312	Cash in Bank
13122618	BNYM TN - Client Services - 3rd Party Collections	C1312	Cash in Bank
13122700	BNYM VA	C1312	Cash in Bank
13122701	BNYM VA - Outbound Wire	C1312	Cash in Bank

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13122704	BNYM VA - Inbound Wires & ACH	C1312	Cash in Bank
13122706	BNYM VA - Customer Direct Debit	C1312	Cash in Bank
13122707	BNYM VA - Customer ACH	C1312	Cash in Bank
13122708	BNYM VA - Customer Lockbox	C1312	Cash in Bank
13122709	BNYM VA - Credit Card and E-Checks	C1312	Cash in Bank
13122711	BNYM VA - FiServ (fka CheckFree)	C1312	Cash in Bank
13122712	BNYM VA - Penn Credit	C1312	Cash in Bank
13122713	BNYM VA - E-Return - Mellon	C1312	Cash in Bank
13122714	BNYM VA -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13122715	BNYM VA - Customer A/R Ck Conversion	C1312	Cash in Bank
13122716	BNYM VA - NSF Return Payments	C1312	Cash in Bank
13122717	BNYM VA - Misc Debits/Credits	C1312	Cash in Bank
13122718	BNYM VA - Client Services - 3rd Party Collections	C1312	Cash in Bank
13122800	BNYM WV	C1312	Cash in Bank
13122801	BNYM WV - Outbound Wire	C1312	Cash in Bank
13122804	BNYM WV - Inbound Wires & ACH	C1312	Cash in Bank
13122806	BNYM WV - Customer Direct Debit	C1312	Cash in Bank
13122807	BNYM WV - Customer ACH	C1312	Cash in Bank
13122808	BNYM WV - Customer Lockbox	C1312	Cash in Bank
13122809	BNYM WV - Credit Card and E-Checks	C1312	Cash in Bank
13122811	BNYM WV - FiServ (fka CheckFree)	C1312	Cash in Bank
13122812	BNYM WV - Penn Credit	C1312	Cash in Bank
13122813	BNYM WV - E-Return - Mellon	C1312	Cash in Bank
13122814	BNYM WV -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13122815	BNYM WV - Customer A/R Ck Conversion	C1312	Cash in Bank
13122816	BNYM WV - NSF Return Payments	C1312	Cash in Bank
13122817	BNYM WV - Misc Debits/Credits	C1312	Cash in Bank
13122818	BNYM WV - Client Services - 3rd Party Collections	C1312	Cash in Bank
13123000	BNYM HI	C1312	Cash in Bank
13123001	BNYM HI - Outbound Wire	C1312	Cash in Bank
13123004	BNYM HI - Inbound Wires & ACH	C1312	Cash in Bank
13123006	BNYM HI - Customer Direct Debit	C1312	Cash in Bank
13123007	BNYM HI - Customer ACH	C1312	Cash in Bank
13123008	BNYM HI - Customer Lockbox	C1312	Cash in Bank
13123009	BNYM HI - Credit Card and E-Checks	C1312	Cash in Bank
13123010	BNYM HI - First Tech	C1312	Cash in Bank
13123011	BNYM HI - FiServ (fka CheckFree)	C1312	Cash in Bank
13123012	BNYM HI - Penn Credit	C1312	Cash in Bank
13123013	BNYM HI - E-Return - Mellon	C1312	Cash in Bank
13123014	BNYM HI -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13123015	BNYM HI - Customer A/R Ck Conversion	C1312	Cash in Bank
13123016	BNYM HI - NSF Return Payments	C1312	Cash in Bank
13123017	BNYM HI - Misc Debits/Credits	C1312	Cash in Bank
13123018	BNYM HI - Client Services - 3rd Party Collections	C1312	Cash in Bank
13123800	BNYM NY	C1312	Cash in Bank

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13123801	BNYM NY - Outbound Wire	C1312	Cash in Bank
13123804	BNYM NY - Inbound Wires & ACH	C1312	Cash in Bank
13123806	BNYM NY - Customer Direct Debit	C1312	Cash in Bank
13123807	BNYM NY - Customer ACH	C1312	Cash in Bank
13123808	BNYM NY - Customer Lockbox	C1312	Cash in Bank
13123809	BNYM NY - Credit Card and E-Checks	C1312	Cash in Bank
13123810	BNYM NY - First Tech	C1312	Cash in Bank
13123811	BNYM NY - FiServ (fka CheckFree)	C1312	Cash in Bank
13123812	BNYM NY - Penn Credit	C1312	Cash in Bank
13123813	BNYM NY - E-Return - Mellon	C1312	Cash in Bank
13123814	BNYM NY -Credit Card & Echeck E-Returns	C1312	Cash in Bank
13123815	BNYM NY - Customer A/R Ck Conversion	C1312	Cash in Bank
13123816	BNYM NY - NSF Return Payments	C1312	Cash in Bank
13123817	BNYM NY - Misc Debits/Credits	C1312	Cash in Bank
13123818	BNYM NY - Client Services - 3rd Party Collections	C1312	Cash in Bank
13125200	BNYM EWC	C1312	Cash in Bank
13125201	BNYM EWC - Outbound Wire	C1312	Cash in Bank
13125204	BNYM EWC - Inbound Wires & ACH	C1312	Cash in Bank
13125206	BNYM EWC - Customer Direct Debit	C1312	Cash in Bank
13125208	BNYM EWC - Customer Lockbox	C1312	Cash in Bank
13125209	BNYM EWC - Online Resources Credit Corp	C1312	Cash in Bank
13125210	BNYM EWC - First Tech	C1312	Cash in Bank
13125211	BNYM EWC - FiServ (fka CheckFree)	C1312	Cash in Bank
13125212	BNYM EWC - Penn Credit	C1312	Cash in Bank
13125213	BNYM EWC - E-Return - Mellon	C1312	Cash in Bank
13125214	BNYM EWC - E-Return - Online Resource Ck Conv	C1312	Cash in Bank
13125215	BNYM EWC - Customer A/R Ck Conversion	C1312	Cash in Bank
13125216	BNYM EWC - NSF Return Payments	C1312	Cash in Bank
13125217	BNYM EWC - Misc Debits/Credits	C1312	Cash in Bank
13125300	BNYM MH	C1312	Cash in Bank
13125301	BNYM MH - Outbound Wire	C1312	Cash in Bank
13125306	BNYM MH - Customer Direct Debit	C1312	Cash in Bank
13125308	BNYM MH - Customer Lockbox	C1312	Cash in Bank
13125309	BNYM MH - Online Resources Credit Corp	C1312	Cash in Bank
13125310	BNYM MH - First Tech	C1312	Cash in Bank
13125311	BNYM MH - FiServ (fka CheckFree)	C1312	Cash in Bank
13125312	BNYM MH - Penn Credit	C1312	Cash in Bank
13125313	BNYM MH - E-Return - Mellon	C1312	Cash in Bank
13125314	BNYM MH - E-Return - Online Resource Ck Conv	C1312	Cash in Bank
13125315	BNYM MH - Customer A/R Ck Conversion	C1312	Cash in Bank
13125316	BNYM MH - NSF - Return Payments	C1312	Cash in Bank
13125317	BNYM MH - Misc Debits/Credits	C1312	Cash in Bank
13133800	BNYM NY #2	C1312	Cash in Bank
13140000	PNC AWCC-Concentration	C234	N/P Assoc Co
13140001	PNC AWCC-Concentration - Outbound Wire	C234	N/P Assoc Co

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13140002	PNC AWCC-Concentration - Outbound ACH	C234	N/P Assoc Co
13140004	PNC AWCC-Concentration - Inbound Wires & ACH	C234	N/P Assoc Co
13140005	PNC AWCC-Concentration - ZBA Activity	C234	N/P Assoc Co
13140012	PNC AWCC-Concentration - Penn Credit	C234	N/P Assoc Co
13140017	PNC AWCC-Concentration - Misc Debits/Credits	C234	N/P Assoc Co
13140100	PNC AWCC-Accounts Payable	C234	N/P Assoc Co
13140102	PNC AWCC-Accounts Payable - Outbound ACH	C234	N/P Assoc Co
13140103	PNC AWCC-Accounts Payable - Outbound Check	C234	N/P Assoc Co
13140104	PNC AWCC-Accounts Payable - Inbound Wires & ACH	C234	N/P Assoc Co
13140105	PNC AWCC-Accounts Payable - ZBA Activity	C234	N/P Assoc Co
13140117	PNC AWCC-Accounts Payable - Misc Debits/Credits	C234	N/P Assoc Co
13140200	PNC AWCC-Payroll	C234	N/P Assoc Co
13140202	PNC AWCC-Payroll - Outbound ACH	C234	N/P Assoc Co
13140203	PNC AWCC-Payroll - Outbound Check	C234	N/P Assoc Co
13140204	PNC AWCC-Payroll - Inbound Wires & ACH	C234	N/P Assoc Co
13140205	PNC AWCC-Payroll - ZBA Activity	C234	N/P Assoc Co
13140217	PNC AWCC-Payroll - Misc Debits/Credits	C234	N/P Assoc Co
13140300	PNC AWCC-Customer Refund	C234	N/P Assoc Co
13140303	PNC AWCC-Customer Refund - Outbound Check	C234	N/P Assoc Co
13140304	PNC AWCC-Customer Refund - Inbound Wires & ACH	C234	N/P Assoc Co
13140305	PNC AWCC-Customer Refund - ZBA Activity	C234	N/P Assoc Co
13140317	PNC AWCC-Customer Refund - Misc Debits/Credits	C234	N/P Assoc Co
13140400	PNC AWCC-Commercial Paper	C234	N/P Assoc Co
13140401	PNC AWCC-Commercial Paper - Outbound Wire	C234	N/P Assoc Co
13140402	PNC AWCC-Commercial Paper - Outbound ACH	C234	N/P Assoc Co
13140404	PNC AWCC-Commercial Paper - Inbound Wires & ACH	C234	N/P Assoc Co
13140417	PNC AWCC-Commercial Paper - Misc Debits/Credits	C234	N/P Assoc Co
13140500	PNC AWCC- Credit Line	C234	N/P Assoc Co
13140501	PNC AWCC- Credit Line - Outbound Wire	C234	N/P Assoc Co
13140502	PNC AWCC- Credit Line - Outbound ACH	C234	N/P Assoc Co
13140504	PNC AWCC- Credit Line - Inbound Wires & ACH	C234	N/P Assoc Co
13140517	PNC AWCC- Credit Line - Misc Debits/Credits	C234	N/P Assoc Co
13140600	PNC AWCC-Misc Items Lockbox	C234	N/P Assoc Co
13140601	PNC AWCC-Misc Items Lockbox - Outbound Wire	C234	N/P Assoc Co
13140602	PNC AWCC-Misc Items Lockbox - Outbound ACH	C234	N/P Assoc Co
13140604	PNC AWCC-Misc Items Lockbox - Inbound Wires & ACH	C234	N/P Assoc Co
13140617	PNC AWCC-Misc Items Lockbox - Misc Debits/Credits	C234	N/P Assoc Co
13140700	PNC AWCC-AP Vendor Payment	C234	N/P Assoc Co
13140701	PNC AWCC-AP Vendor Payment - Outbound Wire	C234	N/P Assoc Co
13140702	PNC AWCC-AP Vendor Payment - Oubound ACH	C1312	Cash in Bank
13140704	PNC AWCC-AP Vendor Payment - Inbound Wires & ACH	C234	N/P Assoc Co
13140705	PNC AWCC-AP Vendor Payment - ZBA Activity	C234	N/P Assoc Co
13152700	WellsF VA-Main	C1312	Cash in Bank
13161000	US Bank IN - Main	C1312	Cash in Bank
13161006	US Bank IN - Customer Direct Debit	C1312	Cash in Bank

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13161007	US Bank IN - Customer ACH	C1312	Cash in Bank
13161008	US Bank IN - Customer Lockbox	C1312	Cash in Bank
13161009	US Bank IN - Credit Card and E-Checks	C1312	Cash in Bank
13161010	USBK IN - First Tech	C1312	Cash in Bank
13161011	US Bank IN - FiServ (aka CheckFree)	C1312	Cash in Bank
13161012	US Bank IN - Penn Credit	C1312	Cash in Bank
13161013	USBK IN - E-Return	C1312	Cash in Bank
13161014	USBK IN - Credit Card & Echeck E-Returns	C1312	Cash in Bank
13161015	US Bank IN - Customer A/R Ck Conversion	C1312	Cash in Bank
13161016	US Bank IN - NSF Return Payments	C1312	Cash in Bank
13161017	US Bank IN - Misc Debits/Credits	C1312	Cash in Bank
13161018	US Bank IN - Client Services-3rd Party Collections	C1312	Cash in Bank
13164600	USBANK Concentration Account	C1312	Cash in Bank
13164699	USBANK Concentration Clearing Account	C1312	Cash in Bank
13180100	Suntrust TN	C1312	Cash in Bank
13180101	Suntrust TN - Outbound Wire	C1312	Cash in Bank
13180106	Suntrust TN - Customer Direct Debit	C1312	Cash in Bank
13180108	Suntrust TN - Customer Lockbox	C1312	Cash in Bank
13180109	Suntrust TN - Online Resources Credit Corp	C1312	Cash in Bank
13180111	Suntrust TN - FiServ (fka CheckFree)	C1312	Cash in Bank
13180112	Suntrust TN - Penn Credit	C1312	Cash in Bank
13180113	Suntrust TN - E-Return - Mellon	C1312	Cash in Bank
13180114	Suntrust TN - E-Return - Online Resource Ck Conv	C1312	Cash in Bank
13180115	Suntrust TN - Customer A/R Ck Conversion	C1312	Cash in Bank
13180116	Suntrust TN - NSF - Return Payments	C1312	Cash in Bank
13180117	Suntrust TN - Misc Debits/Credits	C1312	Cash in Bank
13180200	River Valley MI	C1312	Cash in Bank
13180201	River Valley MI - Outbound Wire	C1312	Cash in Bank
13180202	River Valley MI - Outbound ACH	C1312	Cash in Bank
13180208	River Valley MI - Customer Lockbox	C1312	Cash in Bank
13180216	River Valley MI - NSF Return Payments	C1312	Cash in Bank
13180217	River Valley MI - Misc Debits/Credits	C1312	Cash in Bank
13180300	First Hawaiian HI	C1312	Cash in Bank
13180301	First Hawaiian HI - Outbound Wire	C1312	Cash in Bank
13180302	First Hawaiian HI - Outbound ACH	C1312	Cash in Bank
13180308	First Hawaiian HI - Customer Lockbox	C1312	Cash in Bank
13180316	First Hawaiian HI - NSF Return Payments	C1312	Cash in Bank
13180317	First Hawaiian HI - Misc Debits/Credits	C1312	Cash in Bank
13180400	Union First VA	C1312	Cash in Bank
13180401	Union First VA - Outbound Wire	C1312	Cash in Bank
13180402	Union First VA - Outbound ACH	C1312	Cash in Bank
13180408	Union First VA - Customer Lockbox	C1312	Cash in Bank
13180417	Union First VA - Misc Debits/Credits	C1312	Cash in Bank
13181211	Community Trust Bank KY - FiServ (aka CheckFree)	C1312	Cash in Bank
13181800	TD Bank - Gift Card Incentive	C1312	Cash in Bank

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
13182400	PNC Conveyance Fee Escrow - Main	C1312	Cash in Bank
13182401	PNC Conveyance Fee Escrow - Outbound Wire	C1312	Cash in Bank
13182417	PNC Conveyance Fee Escrow - Misc Debits/Credits	C1312	Cash in Bank
13182500	Busey Bank IL-Collections for Bollingbrook	C1312	Cash in Bank
13182516	Busey Bank IL-NSF Return Payments-Bollingbrook	C1312	Cash in Bank
13182600	First Volunteer Bank, Whitwell, TN	C1312	Cash in Bank
13199001	Cash Clearing - NSF Check	C1312	Cash in Bank
13199002	Cash Clearing - Mixed Payments	C1312	Cash in Bank
13199003	Cash Clearing - Misc Debits/Credits	C1312	Cash in Bank
13199004	Cash Clearing - MI's	C1312	Cash in Bank
13199005	Cash Clearing - ORCOM	C1312	Cash in Bank
13199006	Cash Clearing - Intercompany	C1312	Cash in Bank
13199999	Cash Conversion History	C1312	Cash in Bank
13500000	Petty Cash	C134	Working Funds
13600000	Temp Investments - under 90 days	C135	Temp Cash Investment
13700000	Temp Investments - over 90 days	C135	Temp Cash Investment
13800000	Funds Restricted for Construction - Current	C1312	Cash in Bank
14100000	A/R - Customer - CIS Reconciliation	C141	Customer Accts Recei
14100001	A/R - Customer - Non-Regulated	C141	Customer Accts Recei
14100002	A/R - Customer - Unallocated	C141	Customer Accts Recei
14100003	A/R - Customer - ECIS	C141	Customer Accts Recei
14100010	A/R - Customer - Miscellaneous - PAW Other	C141	Customer Accts Recei
14100020	A/R - Customer - Pittsburgh	C141	Customer Accts Recei
14100099	A/R - Customer - Clearing - Credit Rfnd Processing	C141	Customer Accts Recei
14100998	A/R - Customer - Payment Clarification	C141	Customer Accts Recei
14100999	A/R - Customer - Returns Clarification	C141	Customer Accts Recei
14300000	Allowance for Uncollectible Accounts	C143	Accu Provision for U
14300001	Allowance for Uncollectible Accounts Non-Regulated	C143	Accu Provision for U
14399999	Allowance for Uncollectable Accts - CIS Conversion	C143	Accu Provision for U
14400000	Unbilled Utility Revenue	C173	Accrued Utility Reve
14400001	Unbilled Utility Revenue Non-Regulated	C173	Accrued Utility Reve
14510000	A/R Assoc Cos - Miscellaneous	C145	A/R from Assoc Co
14510100	A/R Assoc Cos - Reconciliation Account	C145	A/R from Assoc Co
14510600	Intercompany System Clearing -CIS Only	C145	A/R from Assoc Co
14510999	A/R Assoc Cos - Settlement Clearing	C145	A/R from Assoc Co
14511000	A/R Assoc Cos - Service Company Bill	C145	A/R from Assoc Co
14511001	A/R Assoc Cos - Service Company Bill	C145	A/R from Assoc Co
14511031	A/R Assoc Cos - Service Settlement AWE	C145	A/R from Assoc Co
14511039	A/R Assoc Cos - Service Settlement New York Aqua	C145	A/R from Assoc Co
14511054	A/R Assoc Cos - Service Settlement Edison	C145	A/R from Assoc Co
14511055	A/R Assoc Cos - Service Settlement Liberty	C145	A/R from Assoc Co
14511056	A/R Assoc Cos - Service Settlement E'Town Services	C145	A/R from Assoc Co
14511070	A/R Assoc Cos - SC AIW	C145	A/R from Assoc Co
14511076	A/R Assoc Cos - One Water Street LLC	C145	A/R from Assoc Co
14512000	A/R Assoc Cos - Payroll Tax	C145	A/R from Assoc Co

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
14512500	A/R Assoc Cos - Payroll Disbursements	C145	A/R from Assoc Co
14571000	A/R Assoc Cos - Dividend Receivable	C171	Accrued Int/Div Rece
14572000	A/R Assoc Cos - Interest Receivable	C171	Accrued Int/Div Rece
14573000	A/R Assoc Cos - Dividend Equivalents	C145	A/R from Assoc Co
14574000	N/R Assoc Co's	C146	N/R from Assoc Co
14575000	Capital Lease Rec Assoc Cos	C145	A/R from Assoc Co
14575500	Unearned Capital Lease Rec Assoc Cos	C145	A/R from Assoc Co
14610000	Misc A/R - Reconciliation Account	C142	Other Accounts Recei
14610099	Misc A/R - Conversion	C142	Other Accounts Recei
14611000	Misc A/R - Manual	C142	Other Accounts Recei
14611200	Misc A/R - Retro Insurance	C142	Other Accounts Recei
14611300	Misc A/R - Liability Insurance	C142	Other Accounts Recei
14611500	Misc A/R - Medicare Subsidy	C142	Other Accounts Recei
14612500	Misc A/R - OPEB Trust	C142	Other Accounts Recei
14613000	Misc A/R - Employees	C142	Other Accounts Recei
14613100	Misc A/R - Employees Payroll	C142	Other Accounts Recei
14619999	Misc A/R - Miscellaneous Invoice Lockbox Clearing	C142	Other Accounts Recei
14620000	Misc Rec - Allow for Uncollectible Accts	C142	Other Accounts Recei
14640000	Notes Receivable	C144	Notes Receivable
14670000	Accrued Interest & Dividend Receivable	C171	Accrued Int/Div Rece
14690000	Current Portion LT Receivable	C142	Other Accounts Recei
14810000	Income Tax Receivable - SIT	C142	Other Accounts Recei
14820000	Income Tax Receivable - FIT	C142	Other Accounts Recei
15110000	Inventory - Plant Material	C151	Plant Material & Sup
15120000	Inventory - Fuel	C151	Plant Material & Sup
15130000	Inventory - Chemicals	C151	Plant Material & Sup
15140000	Inventory - Other Materials & Supplies	C153	Other Material & Sup
15199997	Inventory - Price Difference	C153	Other Material & Sup
15199998	Inventory - Consignment Clearing	C153	Other Material & Sup
15199999	Inventory - Conversion	C153	Other Material & Sup
16410000	Other Special Deposits	C133	Other Special Deposi
16420000	Other Current Assets	C174	Misc Current & Accr
16430000	Assets Held For Sale	C174	Misc Current & Accr
16510000	Prepaid Taxes	C162	Prepayments
16510001	Prepaid Taxes - CIS-San Diego License/Franch Tax	C162	Prepayments
16520000	Prepaid Insurance	C162	Prepayments
16525000	Prepaid Insurance - Intercompany	C162	Prepayments
16530000	Prepaid PUC/PSC Assessment	C162	Prepayments
16540000	Prepaid Audit Fees	C162	Prepayments
16550000	Prepaid Other	C162	Prepayments
16550010	Prepaid Other - Global	C162	Prepayments
18503000	Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	C1863	Regulatory Assets
18503500	Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	C1863	Regulatory Assets
18504000	Reg Asset-Inc Tax Rec Thru Rates-Plant Flow Thru	C1863	Regulatory Assets
18504500	Reg Asset-Inc Tax Rec Thru Rates-Other	C1863	Regulatory Assets

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
18505000	Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	C1863	Regulatory Assets
18505100	Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	C1863	Regulatory Assets
18505500	Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	C1863	Regulatory Assets
18506000	Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	C1863	Regulatory Assets
18610000	Reg Asset - Deferred Programmed Maint	C1862	Other Deferred Debit
18620000	Reg Asset - Deferred Rate Case	C1861	Deferred Rate Case
18631000	Reg Asset - Deferred OPEB	C1862	Other Deferred Debit
18632000	Reg Asset - Deferred OPEB Service Co	C1862	Other Deferred Debit
18641000	Reg Asset - Deferred Pension	C1862	Other Deferred Debit
18642000	Reg Asset - Deferred Pension Service Co	C1862	Other Deferred Debit
18650000	Reg Asset - Purchase Prem Rec Thru Rates	C1862	Other Deferred Debit
18661000	Reg Asset - Unamortized Debt Exp	C181	Unamort Debt Expense
18661500	Reg Asset - Unamortized Debt Exp Interco	C181	Unamort Debt Expense
18662000	Reg Asset - Unamortized Preferred Stock Exp	C181	Unamort Debt Expense
18680000	Reg Asset - Cost of Removal	C1081	Accu Depr-UP in Serv
18680100	Reg Asset - Cost of Removal - RWIP	C1862	Other Deferred Debit
18680101	Reg Asset - Deferred Vacation Pay	C174	Misc Current & Accr
18680102	Reg Asset - Deferred Cust Service Proj	C183	Prelim Survey & Inve
18680103	Reg Asset - Deferred Financial Services Proj	C183	Prelim Survey & Inve
18680111	Reg Asset - Sick Bank	C1862	Other Deferred Debit
18680113	Reg Asset - Deferred Purchased Water	C1862	Other Deferred Debit
18680126	Reg Asset - FAS112 Costs	C1862	Other Deferred Debit
18680127	Reg Asset - Treatment Plant	C1862	Other Deferred Debit
18680131	Reg Asset - Depreciation Study	C1862	Other Deferred Debit
18680132	Reg Asset - Cost of Service Study	C1862	Other Deferred Debit
18680134	Reg Asset - Post In-Service AFUDC	C1862	Other Deferred Debit
18680135	Reg Asset - Post In-Service Depreciation	C1862	Other Deferred Debit
18680136	Reg Asset - Environmental Remediation	C1862	Other Deferred Debit
18680137	Reg Asset - Rental Costs	C1862	Other Deferred Debit
18680140	Carmel River Mitigatigation Balancing Account	C1862	Other Deferred Debit
18680141	Reg Asset - Oper Energy Efficiency	C1862	Other Deferred Debit
18680142	Reg Asset - Cease & Desist Order	C1862	Other Deferred Debit
18680143	Reg Asset - Cease & Desist Penalty	C1862	Other Deferred Debit
18680144	Reg Asset - Waste Disposal	C1862	Other Deferred Debit
18680145	Reg Asset - Revenue Stabilization	C1862	Other Deferred Debit
18680147	Reg Asset - Low Income Customer Data Sharing	C1862	Other Deferred Debit
18680150	Reg Asset- Low Income Balancing	C1862	Other Deferred Debit
18680151	Reg Asset - Phase 1 ASR	C1862	Other Deferred Debit
18680152	Reg Asset - Seaside ASR	C1862	Other Deferred Debit
18680153	Reg Asset - Patton Well	C1862	Other Deferred Debit
18680154	Reg Asset - Management Study	C1862	Other Deferred Debit
18680160	Reg Asset - Santa Rosa Groundwater Survey	C1862	Other Deferred Debit
18680162	Reg Asset- Closing Costs	C1862	Other Deferred Debit
18680163	Reg Asset - DSIC Surcharge	C1862	Other Deferred Debit
18680164	Reg Asset - Low Income Program Costs	C1862	Other Deferred Debit

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18680165	Reg Asset - Interim Rates	C1862	Other Deferred Debit
18680166	Reg Asset - Water Revenue Adjustment Mechanism	C1862	Other Deferred Debit
18680167	Reg Asset - San Clemente Dam AFUDC	C1862	Other Deferred Debit
18680168	Reg Asset - Conservation Surcharge	C1862	Other Deferred Debit
18680169	Reg Asset - Engineering Study	C1862	Other Deferred Debit
18680170	Reg Asset - San Clemente Dam Removal Costs	C1862	Other Deferred Debit
18680171	Sand City Desal Plant Pur Wtr Bal Acct	C1862	Other Deferred Debit
18680172	Reg Asset -Leak Adjustments	C1862	Other Deferred Debit
18680191	Reg Asset - PSTAC Balancing Account	C1862	Other Deferred Debit
18680192	Reg Asset - Additional Security Costs	C1862	Other Deferred Debit
18680194	Reg Asset - Conservation Balancing Acct	C1862	Other Deferred Debit
18680195	Reg Asset - Purch Power & Water Balancing Acct	C1862	Other Deferred Debit
18680196	Reg Asset - Carmel River Dam	C1862	Other Deferred Debit
18680197	Reg Asset - Coastal Water Project Surcharge	C1862	Other Deferred Debit
18680198	Reg Asset - Seaside GW Basin	C1862	Other Deferred Debit
18680199	Reg Asset - Endangered Species Act	C1862	Other Deferred Debit
18680200	Reg Asset - Authorized Balancing Account	C1862	Other Deferred Debit
18680201	RA - Do not use-acct has diff meaning in Hyperion	C1862	Other Deferred Debit
18680202	Reg Asset -Northwest Billing Charge	C1862	Other Deferred Debit
18680203	Reg Asset-Wabash Billing Phase-in	C1862	Other Deferred Debit
18680204	Reg Asset-Warsaw WTP Comprehensive Planning Study	C1862	Other Deferred Debit
18680210	Reg Asset - Water Action Plan - Memo Acct	C1862	Other Deferred Debit
18680211	Reg Asset - Conservation/Rationing	C1862	Other Deferred Debit
18680216	Reg Asset - Comprehensive Tax Study	C1862	Other Deferred Debit
18680218	Regulatory Asset - "Make-Whole Premium"	C1862	Other Deferred Debit
18680295	Reg Asset - EITF	C1862	Other Deferred Debit
18680333	Reg Asset - Cust Lead Svc Line Replacements	C1862	Other Deferred Debit
18680395	Reg Asset - Sacrament VCMRRAMA	C1862	Other Deferred Debit
18689900	Reg Asset - Other	C1862	Other Deferred Debit
18711000	LT Asset - Preliminary Financing Exp	C1862	Other Deferred Debit
18712000	LT Asset - SERP Trust	C1862	Other Deferred Debit
18712500	LT Asset - Deferred Comp Trust	C1862	Other Deferred Debit
18713000	LT Asset - Prelim Survey & Investigation	C183	Prelim Survey & Inve
18715000	LT Asset - Unamortized Debt Exp Non-Reg	C181	Unamort Debt Expense
18715500	LT Asset - Unamort Debt Exp Non-Reg Interco	C181	Unamort Debt Expense
18715700	LT Asset - Unamort Debt In - Revolver	C181	Unamort Debt Expense
18717000	LT Asset - Deferred Transaction Costs	C1862	Other Deferred Debit
18720000	LT Asset - Swap Contract	C1862	Other Deferred Debit
18740000	LT Asset - Receivable	C1862	Other Deferred Debit
18741000	LT Asset - Intercompany Notes	C1862	Other Deferred Debit
18742000	LT Asset - Intercompany Capital Lease	C1862	Other Deferred Debit
18742100	LT Asset - Intercompany Capital Lease Income	C1862	Other Deferred Debit
18790000	LT Asset - Other	C1862	Other Deferred Debit
18800000	Funds Restricted for Construction - LT	C1862	Other Deferred Debit
20110000	Common Stock - Subs Minority Interest	C201	Common Stk Issued

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20120000	Common Stock - Subs Intercompany	C201	Common Stk Issued
20130000	Common Stock - AWK	C201	Common Stk Issued
20510000	Paid-in Capital - Subs Minority Interest	C207	Premium on Capital S
20520000	Paid-in Capital - Subs Intercompany	C211	Other Paid In Capita
20530000	Paid-in Capital - AWK Misc	C207	Premium on Capital S
20530100	Paid-in Capital - AWK Restricted Stock	C211	Other Paid In Capita
20530200	Paid-in Capital - AWK Options	C211	Other Paid In Capita
20530300	Paid-in Capital - AWK RSU's	C211	Other Paid In Capita
20530400	Paid-in Capital - AWK Treasury Stock	C211	Other Paid In Capita
20530500	Paid-in Capital - AWK ESPP	C211	Other Paid In Capita
20530600	Paid-in Capital - AWK DRIP	C211	Other Paid In Capita
20530650	Paid-in Capital - DWAC Fees	C211	Other Paid In Capita
20530700	Paid-in Capital - Tax Windfall	C211	Other Paid In Capita
20540000	Paid-in Capital - AWK Capital Stock Expense	C211	Other Paid In Capita
21021000	Retained Earnings at Acquisition Intercompany	C215	Unappropriated R/E
21024000	Retained Earnings Since Acquisition	C215	Unappropriated R/E
21025000	Retained Earnings Retro Accounting Adjustments	C215	Unappropriated R/E
21200000	Treasury stock	C216	Reacquired Capital S
21300000	Accumulated Comprehensive Income	C216	Reacquired Capital S
21300300	Accumulated Comprehensive Income - Hedge	C216	Reacquired Capital S
21300305	Accumulated Comprehensive Income - Hedge - Interco	C216	Reacquired Capital S
21410000	Preferred Stock - w/o Mandatory Redemptn Requirmts	C205	Preferred Stk Subscr
21420000	Preferred Stock - w/o Mand Redemptn Requirmts I/C	C205	Preferred Stk Subscr
21510000	Preferred Stock - Redeemable	C204	Preferred Stk Issued
21510100	Preferred Stock - Redeemable FV Uplift	C204	Preferred Stk Issued
21550000	Curr Portion - Redeemable Preferred Stock	C204	Preferred Stk Issued
22110000	Bonds	C221	Bonds
22110100	Bonds - FV Uplift	C221	Bonds
22110200	Bonds - FV Hedge	C221	Bonds
22110400	LT Debt - Discount Inside	C221	Bonds
22110500	AWTR-LT Debt Premium-Outside	C221	Bonds
22110600	Unamortized Debt Expense - Non-Reg	C221	Bonds
22115000	Bonds - Interco	C221	Bonds
22130000	Capital Lease	C224	Other LTD
22135000	Capital Lease - Interco	C224	Other LTD
22210000	Current Portion LTD	C221	Bonds
22215000	Current Portion LTD - Interco	C221	Bonds
22230000	Current Portion Capital Lease	C224	Other LTD
22235000	Current Portion Capital Lease Interco	C224	Other LTD
23110000	N/P Commercial Paper	C232	Notes Payable
23110500	N/P Commercial Paper Discount	C232	Notes Payable
23120000	N/P Assoc Cos	C234	N/P Assoc Co
23121000	In-House Cash Center Bank	C234	N/P Assoc Co
23121001	IHC Clearing - Outgoing Payment	C234	N/P Assoc Co
23121002	IHC Clearing - Incoming Payment	C234	N/P Assoc Co

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23121003	In-House Cash Center - Payment Clearing	C234	N/P Assoc Co
23121004	In-House Cash Center - Clearing Account	C234	N/P Assoc Co
23121005	IHC Clearing - Intermediate	C234	N/P Assoc Co
23121006	IHC Clearing - Other	C234	N/P Assoc Co
23129000	N/P Assoc Cos - Loan Clearing	C234	N/P Assoc Co
23130000	N/P Revolving Credit Line	C232	Notes Payable
23410000	A/P - Reconciliation Account	C231	Accounts Payable
23410100	A/P Intercompany - Reconciliation Account	C233	A/P Assoc Co
23410999	A/P - Conversion	C231	Accounts Payable
23411000	A/P - Pcard	C231	Accounts Payable
23411001	PCard Distributed-Clearing for Mapped Transactions	C231	Accounts Payable
23411400	A/P - Gcard Clearing	C231	Accounts Payable
23411500	A/P - Pcard Clearing	C231	Accounts Payable
23412000	A/P Clearing	C231	Accounts Payable
23412200	A/P - Contracted Services	C231	Accounts Payable
23412500	A/P - Phone Bills	C231	Accounts Payable
23420000	A/P - Contract Retentions	C231	Accounts Payable
23430000	A/P - Miscellaneous	C231	Accounts Payable
23430600	A/P - Workbasket Accrual	C231	Accounts Payable
23430700	A/P - Pcard Accrual	C231	Accounts Payable
23430900	A/P - PNC Loan Clearing	C231	Accounts Payable
23431000	A/P - Misc Global	C231	Accounts Payable
23435000	A/P - Project Cost Accrual	C231	Accounts Payable
23436000	A/P-GRIR Capital Services	C231	Accounts Payable
23439000	A/P - Income Taxes Withheld	C231	Accounts Payable
23510000	A/P Associated Companies	C233	A/P Assoc Co
23510500	A/P Associated Companies - Dividend Equivalents	C233	A/P Assoc Co
23510600	Intercompany System Clearing -CIS Only	C233	A/P Assoc Co
23520000	A/P Associated Companies - Service Co Bill	C233	A/P Assoc Co
23520001	A/P Associated Companies - Service Co Bill	C233	A/P Assoc Co
23530000	CFO - WLPP Interco	C233	A/P Assoc Co
23530100	CFO - SLPP Interco	C233	A/P Assoc Co
23530200	CFO - InHome Interco	C233	A/P Assoc Co
23530300	CFO - WLPP/SLPP Interco	C233	A/P Assoc Co
23530400	CFO - WLPP/SLPP/InHome Interco	C233	A/P Assoc Co
23530600	CFO - Water Heater Protection Plan Interco	C233	A/P Assoc Co
23530601	CFO - Water Heater PP Interco - CIS Reconciliation	C233	A/P Assoc Co
23540000	CFO - WLPP Receivable Interco	C233	A/P Assoc Co
23540001	CFO - WLPP Receivable Interco - CIS Reconciliation	C233	A/P Assoc Co
23540100	CFO - SLPP Receivable Interco	C233	A/P Assoc Co
23540101	CFO - SLPP Receivable Interco - CIS Reconciliation	C233	A/P Assoc Co
23540200	CFO - InHome Receivable Interco	C233	A/P Assoc Co
23540201	CFO - InHome Receivable I/C - CIS Reconciliation	C233	A/P Assoc Co
23540300	CFO - WLPP/SLPP Receivable Interco	C233	A/P Assoc Co
23540301	CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	C233	A/P Assoc Co

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
23540400	CFO - WLPP/SLPP/InHome Receivable Interco	C233	A/P Assoc Co
23540401	CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	C233	A/P Assoc Co
23540601	CFO - Water Heater PP Interco - CIS Reconciliation	C233	A/P Assoc Co
23599999	Intercompany System Clearing	C233	A/P Assoc Co
23621000	Accrued FIT - Current Year	C23612	Accr Taxes-Income Ta
23621500	Accrued FIT - Current Year Unitary Returns	C23612	Accr Taxes-Income Ta
23622000	Accrued FIT - Prior Years	C23612	Accr Taxes-Income Ta
23622500	Accrued FIT - Prior Years Unitary Returns	C23612	Accr Taxes-Income Ta
23631000	Accrued SIT - Current Year	C23612	Accr Taxes-Income Ta
23631500	Accrued SIT - Current Year Unitary Returns	C23612	Accr Taxes-Income Ta
23632000	Accrued SIT - Prior Years	C23612	Accr Taxes-Income Ta
23632500	Accrued SIT - Prior Years - Unitary Returns	C23612	Accr Taxes-Income Ta
23651000	Accrued Tax - Gross Income & Receipts	C23611	Accr Taxes-Other tha
23651100	Accrued Tax - Gross Income & Receipts-IncTax	C23611	Accr Taxes-Other tha
23652000	Accrued Tax - FUTA	C23611	Accr Taxes-Other tha
23652100	Accrued Tax - FICA	C23611	Accr Taxes-Other tha
23652200	Accrued Tax - SUTA	C23611	Accr Taxes-Other tha
23652300	Accrued Tax - Payroll Tax Clearing	C23611	Accr Taxes-Other tha
23652400	Accrued Tax - Local	C23611	Accr Taxes-Other tha
23653000	Accrued Tax - Property Tax	C23611	Accr Taxes-Other tha
23654000	Accrued Tax - Use Tax	C23611	Accr Taxes-Other tha
23654100	Accrued Tax - Franchise Tax	C23611	Accr Taxes-Other tha
23654110	Accrued Tax - Franchise Tax - Income Tax	C23611	Accr Taxes-Other tha
23654200	Accrued Tax - PURTA	C23611	Accr Taxes-Other tha
23654300	Accrued Tax - Capital Stock	C23611	Accr Taxes-Other tha
23654310	Accrued Tax - Capital Stock - Income Tax	C23611	Accr Taxes-Other tha
23659000	Accrued Tax - Other	C23611	Accr Taxes-Other tha
23720000	Interest Accrued - LTD	C2371	Accr Interest-LTD
23730000	Interest Accrued - LTD Interco	C2371	Accr Interest-LTD
23740000	Interest Accrued - Redeemable Preferred Dividends	C241	Misc Current & Accr
23750000	Interest Accrued - Other	C2372	Accr Interest-Other
24120000	Accrued Vacation Pay	C241	Misc Current & Accr
24120100	Accrued Water Purchases	C241	Misc Current & Accr
24120200	Accrued Power	C241	Misc Current & Accr
24120300	Accrued Legal	C241	Misc Current & Accr
24120600	Accrued Wages	C241	Misc Current & Accr
24120699	Accrued Wages - Net Adjustments Clearing	C241	Misc Current & Accr
24120700	Accrued Insurance	C241	Misc Current & Accr
24120710	Accrued Insurance Retro Adjustment	C241	Misc Current & Accr
24120720	Accrued Insurance Unfunded	C241	Misc Current & Accr
24120800	Accrued Rents	C241	Misc Current & Accr
24121000	Accrued Waste Disposal	C241	Misc Current & Accr
24121100	Accrued Retiree Medical	C241	Misc Current & Accr
24121200	Accrued DCP - Contribution	C241	Misc Current & Accr
24121300	Accrued Health Savings Account	C241	Misc Current & Accr

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24121400	Accrued Bank Fees	C241	Misc Current & Accr
24121500	Accrued Credit Lines Fees	C241	Misc Current & Accr
24121800	Accrued Severance	C241	Misc Current & Accr
24121900	Accrued Healthy Solution	C241	Misc Current & Accr
24122500	Refund Rates Under Bond	C241	Misc Current & Accr
24122600	Accrued Safety Incentive	C241	Misc Current & Accr
24122700	Accrued Employer 401k Match	C241	Misc Current & Accr
24122800	Accr'd Pref'd Dividnds w/o Mand Redmptn Requiremts	C241	Misc Current & Accr
24122850	Pref'd Div Declared w/o Mand Redemptn Requiremts	C238	Accrued Dividends
24122900	Common Dividends Declared	C238	Accrued Dividends
24123000	Accrued Incentive Plan Cash	C241	Misc Current & Accr
24123100	Accrued Construction Costs	C241	Misc Current & Accr
24126000	Miscellaneous Deposits Payable	C241	Misc Current & Accr
24126200	Accrued Paving	C241	Misc Current & Accr
24126300	Accrued Litigation	C241	Misc Current & Accr
24126400	Customer Deposits	C235	Customer Deposits
24126500	Accrued Audit Fees	C241	Misc Current & Accr
24129000	Accrued NOAA Settlement - Current Portion	C241	Misc Current & Accr
24133000	Unclaimed Customer Credits	C241	Misc Current & Accr
24133200	Unclaimed A/P Checks	C241	Misc Current & Accr
24133300	Unclaimed Wages	C241	Misc Current & Accr
24142001	WH PR - Union Dues	C241	Misc Current & Accr
24142002	WH PR - Charity Contributions	C241	Misc Current & Accr
24142005	WH PR - Flex Spending	C241	Misc Current & Accr
24142006	WH PR - 401k Contributions	C241	Misc Current & Accr
24142008	WH PR - Garnishments	C241	Misc Current & Accr
24142009	WH PR - Life Insurance	C241	Misc Current & Accr
24142010	WH PR - Tax Coll Pay FIT	C241	Misc Current & Accr
24142011	WH PR - Tax Coll Pay SUI	C241	Misc Current & Accr
24142012	WH PR - Tax Coll Pay LIT	C241	Misc Current & Accr
24142013	WH PR - Tax Coll Pay FICA	C241	Misc Current & Accr
24142014	WH PR - ESPP	C241	Misc Current & Accr
24142099	WH PR - Miscellaneous	C241	Misc Current & Accr
24142100	WH PR - Tax Coll SIT	C241	Misc Current & Accr
24161000	GRIR - Stock E (Materials)	C241	Misc Current & Accr
24162000	GRIR - Stock D (Fuel)	C241	Misc Current & Accr
24163000	GRIR - Stock C (Chemicals)	C241	Misc Current & Accr
24164000	GRIR - Non-inventory	C241	Misc Current & Accr
24165000	GRIR - Freight	C241	Misc Current & Accr
24166000	GRIR-Capital Expenditure Accruals Reclass	C241	Misc Current & Accr
24169999	GRIR - Conversion	C241	Misc Current & Accr
24171000	CFO Miscellaneous	C241	Misc Current & Accr
24171001	CFO Customer Assistance	C241	Misc Current & Accr
24171005	CFO Customer Assistance Non Pledged	C241	Misc Current & Accr
24171006	CFO Customer Assistance Pledged	C241	Misc Current & Accr

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24171009	CFO Primacy fees	C241	Misc Current & Accr
24171011	CFO MC/Sewer Revenue/Cash	C241	Misc Current & Accr
24171012	CFO MC/Sewer A/R	C241	Misc Current & Accr
24171013	CFO MC/Sewer Adjustment	C241	Misc Current & Accr
24171014	CFO MC/Sewer ChgOff	C241	Misc Current & Accr
24172000	CFO Sales Tax	C241	Misc Current & Accr
24172001	CFO Sales Tax AZ	C241	Misc Current & Accr
24172002	CFO Sales Tax CA Chula Vista	C241	Misc Current & Accr
24172003	CFO Sales Tax CA Sacramento	C241	Misc Current & Accr
24172004	CFO Sales Tax CA San Marino	C241	Misc Current & Accr
24172005	CFO Sales Tax FL	C241	Misc Current & Accr
24172006	CFO Sales Tax IL Belleville	C241	Misc Current & Accr
24172007	CFO Sales Tax IL Alton	C241	Misc Current & Accr
24172008	CFO Sales Tax IL Chicago	C241	Misc Current & Accr
24172009	CFO Sales Tax IN	C241	Misc Current & Accr
24172010	CFO Sales Tax KY	C241	Misc Current & Accr
24172011	CFO Sales Tax MO	C241	Misc Current & Accr
24172012	CFO Sales Tax NJ	C241	Misc Current & Accr
24172013	CFO Sales Tax PA	C241	Misc Current & Accr
24172014	CFO Sales Tax TN	C241	Misc Current & Accr
24172015	CFO Sales Tax WV	C241	Misc Current & Accr
24172016	CFO Sales Tax NY	C241	Misc Current & Accr
24172100	CFO Sales Tax - from CIS	C241	Misc Current & Accr
24173000	CFO Gross Receipts Tax	C241	Misc Current & Accr
24173100	CFO Gross Receipts Tax - from CIS	C241	Misc Current & Accr
24174000	CFO Municipal Tax	C241	Misc Current & Accr
24174100	CFO Municipal Tax - from CIS	C241	Misc Current & Accr
24175100	CFO PUC Surcharge - from CIS	C241	Misc Current & Accr
24199500	Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	C2531	Regulatory Liabiliti
24199600	Liabilities Held For Sale	C241	Misc Current & Accr
24199700	Deferred Revenue - Current Portion	C241	Misc Current & Accr
24199701	Deferred Revenue - Current Portion - Intercompany	C241	Misc Current & Accr
24199800	Other Current Liabilities - Tax Sensitive	C241	Misc Current & Accr
24199900	Other Current Liabilities - Non-Tax Sensitive	C241	Misc Current & Accr
25211000	Advances for Construction - NT Mains	C252	Advances for Constru
25212000	Advances for Construction - NT Ext Deposits	C252	Advances for Constru
25213000	Advances for Construction - NT Services	C252	Advances for Constru
25214000	Advances for Construction - NT Meters	C252	Advances for Constru
25215000	Advances for Construction - NT Hydrants	C252	Advances for Constru
25216000	Advances for Construction - NT Other	C252	Advances for Constru
25217000	Advances for Construction - NT WIP	C252	Advances for Constru
25222000	Advances for Construction - Tax Ext Deposits	C252	Advances for Constru
25223000	Advances for Construction - Tax Services	C252	Advances for Constru
25224000	Advances for Construction - Tax Meters	C252	Advances for Constru
25226000	Advances for Construction - Tax Other	C252	Advances for Constru

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
25227000	Advances for Construction - Tax WIP	C252	Advances for Constru
25230000	Advances for Construction - Tax SIT	C252	Advances for Constru
25280000	Advances for Construction - Reclassed to Current	C252	Advances for Constru
25299900	Advances for Construction - Current	C252	Advances for Constru
25310000	Deferred FIT Liability - Normalized Property	C283	Accu Def Inc Tax-Oth
25311000	Deferred FIT Liability - Other	C283	Accu Def Inc Tax-Oth
25311500	Deferred FIT Liability - Unitary Returns	C283	Accu Def Inc Tax-Oth
25319000	Deferred FIT Asset - Long Term	C1901	Accu Def FIT
25321000	Deferred SIT Liability - Other	C283	Accu Def Inc Tax-Oth
25321500	Deferred SIT Liability - Unitary Returns	C283	Accu Def Inc Tax-Oth
25329000	Deferred SIT Asset - Long Term	C1902	Accu Def SIT
25340000	Deferred FIT Liability - Current	C23612	Accr Taxes-Income Ta
25349000	Deferred FIT Asset - Current	C174	Misc Current & Accr
25350000	Deferred SIT Liability - Current	C23612	Accr Taxes-Income Ta
25359000	Deferred SIT Asset - Current	C174	Misc Current & Accr
25510100	Unamortized ITC - 3%	C2551	Accu Def ITC-Utility
25510200	Unamortized ITC - 4%	C2551	Accu Def ITC-Utility
25510300	Unamortized ITC - 10%	C2551	Accu Def ITC-Utility
25510400	Unamortized ITC - 6%	C2551	Accu Def ITC-Utility
25510500	Unamortized ITC - State	C2551	Accu Def ITC-Utility
25621000	Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	C2531	Regulatory Liabiliti
25621100	Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	C2531	Regulatory Liabiliti
25621200	Reg Liab-Inc Tax Rec Thru Rates-Exc Def Depr FIT	C2531	Regulatory Liabiliti
25622000	Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	C2531	Regulatory Liabiliti
25623000	Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	C2531	Regulatory Liabiliti
25623100	Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC SIT	C2531	Regulatory Liabiliti
25623200	Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	C2531	Regulatory Liabiliti
25624000	Reg Liab-Inc Tax Rec Thru Rates-Other	C2531	Regulatory Liabiliti
25626000	Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	C2531	Regulatory Liabiliti
25626100	Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	C2531	Regulatory Liabiliti
25626200	Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	C2531	Regulatory Liabiliti
25626300	Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 6%	C2531	Regulatory Liabiliti
25626500	Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up SIT	C2531	Regulatory Liabiliti
25632000	Reg Liab - Revenue Stabilization	C2531	Regulatory Liabiliti
25632100	Reg Liab - Property Tax Stabilization	C2531	Regulatory Liabiliti
25632300	Reg Liab-Tax Cuts & Jobs Act Customer Refunds - LT	C2531	Regulatory Liabiliti
25632400	Reg Liab - Refund to Customers	C2531	Regulatory Liabiliti
25632500	Reg Liab - Conservation Surcharge	C2531	Regulatory Liabiliti
25632600	Reg Liab - Purchased Sewer Stabilization	C2531	Regulatory Liabiliti
25632700	Reg Liab - Purchased Water Stabilization	C2531	Regulatory Liabiliti
25632800	Reg Liab - Property Tax Settlement	C2531	Regulatory Liabiliti
25632900	Reg Liab - PBOP Tracker	C2531	Regulatory Liabiliti
25633000	Reg Liab - Pension Tracker	C2531	Regulatory Liabiliti
25633100	Reg Liab - Tank Painting Tracker	C2531	Regulatory Liabiliti
25633200	Reg Liab - Service Company Pension	C2531	Regulatory Liabiliti

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
25633300	Reg Liab - PBOP	C2531	Regulatory Liabiliti
25633400	Reg Liab - Pension Internal Reserve	C2531	Regulatory Liabiliti
25633500	Reg Liab - Gain on Debt	C2531	Regulatory Liabiliti
25633700	Reg Liab - Gain on Acquisition	C2531	Regulatory Liabiliti
25633800	Reg Liab - Accrued Rate Case Expense	C2531	Regulatory Liabiliti
25634100	Reg Liab - Property Sales in Suspense	C2531	Regulatory Liabiliti
25634400	Reg Liab - CA Aerojet Project	C2531	Regulatory Liabiliti
25634500	Reg Liab - MTBE Settlement	C2531	Regulatory Liabiliti
25634600	Reg Liab - Atrazine Settlement	C2531	Regulatory Liabiliti
25634800	Reg Liab - Def Revenue CIAC FIT	C2531	Regulatory Liabiliti
25635500	Reg Liab - Refund of COR	C2531	Regulatory Liabiliti
25689900	Reg Liab - Other	C2531	Regulatory Liabiliti
25700000	Reg Liab - Cost of Removal	C1081	Accu Depr-UP in Serv
25710000	Reg Liab - Cost of Removal RWIP	C1862	Other Deferred Debit
26212000	Accrued Pension Expense	C2532	Other Deferred Liabi
26214000	Accrued Pension Expense ERP (SERP)	C2532	Other Deferred Liabi
26215000	Accrued Pension Expense ERP (SRP)	C2532	Other Deferred Liabi
26216000	Accrued Pension Exp ERP (Special Contract)	C2532	Other Deferred Liabi
26221000	Accrued OPEB NEI	C2532	Other Deferred Liabi
26221100	Accrued OPEB NEI	C2532	Other Deferred Liabi
26221500	Accrued OPEB Medicare Subsidy	C2532	Other Deferred Liabi
26233000	Deferred Revenue - CIAC	C2532	Other Deferred Liabi
26233100	Deferred Revenue - CIAC FIT	C2532	Other Deferred Liabi
26233200	Deferred Revenue - CIAC SIT	C2532	Other Deferred Liabi
26233300	Deferred Revenue - CAC	C2532	Other Deferred Liabi
26233800	Deferred Revenue - Tax Gross-Up AIC	C2532	Other Deferred Liabi
26233900	Deferred Revenue - Tax Gross-Up AIC FIT/SIT	C2532	Other Deferred Liabi
26234000	Deferred Revenue - Tax Gross-Up AIC SIT	C2532	Other Deferred Liabi
26237100	Deferred Revenue	C2532	Other Deferred Liabi
26237500	MPWMD Surcharge Collected for Others	C2532	Other Deferred Liabi
26281100	Accrued Defined Contribution SERP	C2532	Other Deferred Liabi
26281150	Accrued NOAA Settlement	C2532	Other Deferred Liabi
26281200	Accrued 401k Restoration	C2532	Other Deferred Liabi
26281250	Accrued Asset Retirement Obligation Liability	C2532	Other Deferred Liabi
26281300	Deferred FAS 112 Costs	C2532	Other Deferred Liabi
26281350	Swap Contract FV Liability	C2532	Other Deferred Liabi
26281400	Extension Deposits in Suspense	C2532	Other Deferred Liabi
26281450	Advance Pay & Deposits	C2532	Other Deferred Liabi
26281500	Accrued Dividend Equivalents	C2532	Other Deferred Liabi
26281600	Property Sales in Suspense	C2532	Other Deferred Liabi
26281700	Deferred Compensation (prior 1/1/08)	C2532	Other Deferred Liabi
26281800	Non-Qualified Savings & Def Compensation	C2532	Other Deferred Liabi
26281900	Accrued Sick Bank	C2532	Other Deferred Liabi
26281997	Surcharge Clearing- WV B&O Tax (CIS)	C2532	Other Deferred Liabi
26281998	DCN-Deferred Credit Other - Not Tax Sensitive	C2532	Other Deferred Liabi

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26281999	Accrued Long Term Liability - Other	C2532	Other Deferred Liabi
26282000	Accrued Long Term Liability - Other Interco	C2532	Other Deferred Liabi
26400000	Misc Operating Reserve	C2532	Other Deferred Liabi
26580000	FIN 48 Reserve - Federal	C265	Misc Operating Revenues
26581000	FIN 48 Reserve - State	C265	Misc Operating Revenues
27111000	CIAC-Non Taxable - Mains	C271	CIAC
27112000	CIAC-Non Taxable - Ext Dep	C271	CIAC
27113000	CIAC-Non Taxable - Services	C271	CIAC
27114000	CIAC-Non Taxable - Meters	C271	CIAC
27115000	CIAC-Non Taxable - Hydrants	C271	CIAC
27116000	CIAC-Non Taxable - Other	C271	CIAC
27116001	CIAC-Non Taxable - Other Spec Fac Fee	C271	CIAC
27116002	CIAC-Non Taxable - Other Terra Cotta	C271	CIAC
27116010	CIAC-Non Taxable - Other Gov Gmt Contamn Proceed	C271	CIAC
27116020	CIAC-Non Taxable - Other Gov Loan Contamn Proceed	C271	CIAC
27116030	CIAC-Non Taxable - Other Damg Awd Contamn Proceed	C271	CIAC
27116040	CIAC-Non Taxable - Other Settlmnt Contamn Proceed	C271	CIAC
27116051	CIAC-Non Taxable - Other Gvt Ord Contmn Pvt Funds	C271	CIAC
27116052	CIAC-Non Taxable - Other Gvt Ord Contmn Pub Funds	C271	CIAC
27116060	CIAC-Non Taxable - Other Insurance Contmn Proceed	C271	CIAC
27117000	CIAC-Non Taxable - WIP	C271	CIAC
27118000	CIAC-Non Taxable - Non-Utility Property Property	C271	CIAC
27121000	CIAC-Taxable - Mains	C271	CIAC
27122000	CIAC-Taxable - Ext Dep	C271	CIAC
27123000	CIAC-Taxable - Services	C271	CIAC
27124000	CIAC-Taxable - Meters	C271	CIAC
27125000	CIAC-Taxable - Hydrants	C271	CIAC
27126000	CIAC-Taxable - Other	C271	CIAC
27127000	CIAC-Taxable - WIP	C271	CIAC
27131000	CIAC-Taxable - Mains SIT	C271	CIAC
27133000	CIAC-Taxable - Services SIT	C271	CIAC
27135000	CIAC-Taxable - Hydrants SIT	C271	CIAC
27136000	CIAC-Taxable - Other SIT	C271	CIAC
27137000	CIAC-Taxable - WIP SIT	C271	CIAC
27141000	CIAC-Taxable - Mains FIT	C271	CIAC
27143000	CIAC-Taxable - Services FIT	C271	CIAC
27144000	CIAC-Taxable - Meters FIT	C271	CIAC
27145000	CIAC-Taxable - Hydrants FIT	C271	CIAC
27146000	CIAC-Taxable - Other FIT	C271	CIAC
27201000	Accum Amort CIAC - Mains	C272	Accu Amort-CIAC
27203000	Accum Amort CIAC - Services	C272	Accu Amort-CIAC
27204000	Accum Amort CIAC - Meters	C272	Accu Amort-CIAC
27205000	Accum Amort CIAC - Hydrants	C272	Accu Amort-CIAC
27206000	Accum Amort CIAC - Other	C272	Accu Amort-CIAC
27210000	Accum Amort CIAC - Tax	C272	Accu Amort-CIAC

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
29999999	999 Line JE Clearing	C241	Misc Current & Accr
40111000	Residential Sales Billed	C4611	Metered Sales-Res
40111001	Residential Sales Billed - Discount	C4611	Metered Sales-Res
40111100	Residential Sales Billed Surcharge	C4611	Metered Sales-Res
40111199	Residential Sales Billed Surcharge - Clearing	C4611	Metered Sales-Res
40111200	Residential Sales Billed DSIC	C4611	Metered Sales-Res
40111300	Residential Sales Billed Unmetered	C460	Unmetered Water Sale
40112000	Residential Sales Unbilled	C4611	Metered Sales-Res
40121000	Commercial Sales Billed	C4612	Metered Sales-Com
40121100	Commercial Sales Billed Surcharge	C4612	Metered Sales-Com
40121200	Commercial Sales Billed DSIC	C4612	Metered Sales-Com
40121300	Commercial Sales Billed Unmetered	C460	Unmetered Water Sale
40122000	Commercial Sales Unbilled	C4612	Metered Sales-Com
40131000	Industrial Sales Billed	C4613	Metered Sales-Ind
40131100	Industrial Sales Billed Surcharge	C4613	Metered Sales-Ind
40131200	Industrial Sales Billed DSIC	C4613	Metered Sales-Ind
40132000	Industiral Sales Unbilled	C4613	Metered Sales-Ind
40138000	Accrued Revenue Stabilization	C4611	Metered Sales-Res
40138200	Accrued Property Tax Rev Stblztn	C4611	Metered Sales-Res
40141000	Public Fire Billed	C4621	Public Fire Revenues
40141100	Public Fire Billed Surcharge	C4621	Public Fire Revenues
40141200	Public Fire Billed DSIC	C4621	Public Fire Revenues
40142000	Public Fire Unbilled	C4621	Public Fire Revenues
40145000	Private Fire Billed	C4622	Private Fire Revenue
40145100	Private Fire Billed Surcharge	C4622	Private Fire Revenue
40145200	Private Fire Billed DSIC	C4622	Private Fire Revenue
40146000	Private Fire Unbilled	C4622	Private Fire Revenue
40151000	Public Authority Billed	C4614	Metered Sales-OPA
40151100	Public Authority Billed Surcharge	C4614	Metered Sales-OPA
40151200	Public Authority Billed DSIC	C4614	Metered Sales-OPA
40152000	Public Authority Unbilled	C4614	Metered Sales-OPA
40161000	Sales for Resale Billed	C466	Sales for Resale
40161050	Sales for Resale Billed Interco	C467	Interdept Sales
40161100	Sales for Resale Billed Surcharge	C466	Sales for Resale
40161200	Sales for Resale Billed DSIC	C466	Sales for Resale
40161250	Sales for Resale Billed DSIC Interco	C466	Sales for Resale
40162000	Sales for Resale Unbilled	C466	Sales for Resale
40171000	Misc Sales Billed	C474	Other Water Revenues
40171100	Misc Sales Billed Surcharge	C474	Other Water Revenues
40171300	Misc Sales Billed Unmetered	C474	Other Water Revenues
40172000	Misc Sales Unbilled	C474	Other Water Revenues
40175100	Misc Sales ORCOM Errors	C474	Other Water Revenues
40180100	Other Water Revenue - Temp Service	C471	Misc Service Revenue
40180200	Other Water Revenue - Conservation	C472	Rents from Water Pro
40180300	Other Water Revenue - Amort Def CIAC	C474	Other Water Revenues

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
40189900	Other Water Revenue	C474	Other Water Revenues
40211000	Domestic WW Service Billed	C5221	WW Residential Reven
40211001	Domestic WW Service Billed Bimonthly	C5221	WW Residential Reven
40211100	Domestic WW Service Billed Surcharge	C5221	WW Residential Reven
40211200	Domestic WW Service Billed DSIC	C5221	WW Residential Reven
40211300	Domestic WW Service Billed CGCR	C5221	WW Residential Reven
40212000	Domestic WW Service Unbilled	C5221	WW Residential Reven
40221000	Commerical WW Service Billed	C5222	WW Commercial Revenu
40221100	Commerical WW Service Billed Surcharge	C5222	WW Commercial Revenu
40221200	Commercial WW Service Billed DSIC	C5221	WW Residential Reven
40221300	Commerical WW Service Billed CGCR	C5222	WW Commercial Revenu
40222000	Commercial WW Service Unbilled	C5222	WW Commercial Revenu
40231000	Industrial WW Service Billed	C5223	WW Industrial Revenu
40231100	Industrial WW Service Billed Surcharge	C5223	WW Industrial Revenu
40231200	Industrial WW Service Billed DSIC	C5221	WW Residential Reven
40231300	Industrial WW Service Billed CGCR	C5223	WW Industrial Revenu
40232000	Industrial WW Service Unbilled	C5223	WW Industrial Revenu
40238000	Accrued Revenue Stabilization WW	C4611	Metered Sales-Res
40251000	Public Authority WW Service Billed	C5224	WW Pub Auth Revenues
40251100	Public Authority WW Service Billed Surcharge	C5224	WW Pub Auth Revenues
40251200	Public Authority WW Service Billed DSIC	C5221	WW Residential Reven
40251300	Public Authority WW Service Billed CGCR	C5224	WW Pub Auth Revenues
40252000	Public Authority WW Service Unbilled	C5224	WW Pub Auth Revenues
40261200	Sale for Resale WW Service Billed DSIC	C5221	WW Residential Reven
40271000	Misc WW Service Billed	C5224	WW Pub Auth Revenues
40271200	Misc Sales WW Service Billed DSIC	C5221	WW Residential Reven
40271300	Misc WW Service Billed CGCR	C5224	WW Pub Auth Revenues
40272000	Misc WW Service Unbilled	C5224	WW Pub Auth Revenues
40280000	Other Revenue WW - Guaranteed	C536	WW Other Revenues
40290000	Other Revenue WW - Intercompany	C536	WW Other Revenues
40300100	Other Revenue - Interco	C469	Guaranteed Revenues
40310000	Other Revenue - Guaranteed	C469	Guaranteed Revenues
40310100	Other Revenue - Late Payment Charge	C470	Forfeited Discounts
40310200	Other Revenue - Rent	C472	Rents from Water Pro
40310250	Other Revenue - Rent Interco	C473	Interdept Rents
40310300	Other Revenue - Collection for Others	C471	Misc Service Revenue
40310400	Other Revenue - NSF Check Charge	C471	Misc Service Revenue
40310500	Other Revenue - Application/Initiation Fee	C471	Misc Service Revenue
40310600	Other Revenue - Usage Data	C471	Misc Service Revenue
40310700	Other Revenue - Reconnection Fee	C471	Misc Service Revenue
40310800	Other Revenue - Frozen Meter	C471	Misc Service Revenue
40310900	Other Revenue - CFO - CA PUC Surcharge	C471	Misc Service Revenue
40311600	Other Revenue - Storage Fees	C472	Rents from Water Pro
40313000	Other Revenue - After Hrs Charge	C471	Misc Service Revenue
40319900	Other Revenue - Misc Service	C471	Misc Service Revenue

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
40351100	Other Revenue WW - Late Payment Charge	C532	WW Forfeited Discoun
40359900	Other Revenue WW - Misc Service	C536	WW Other Revenues
40399999	Leak Adjustment Revenue	C469	Guaranteed Revenues
40999999	Revenue Conversion - CIS	C536	WW Other Revenues
45000000	Service Company Revenue OPEX Interco	C471	Misc Service Revenue
45000001	Service Company Revenue CAPEX Interco	C471	Misc Service Revenue
45000002	Servco Company Revenue Market Based COs Interco	C471	Misc Service Revenue
50100000	Labor Natural Account	C6018	Salaries-Empl AG
50100001	Labor Expense Accrual	C6018	Salaries-Empl AG
50100002	Labor Expense - Intercompany	C6018	Salaries-Empl AG
50101100	Labor Oper Source of Supply	C6011	Salaries-Empl Oper S
50101105	Labor Oper Source of Supply - Super & Eng	C6011	Salaries-Empl Oper S
50101200	Labor Oper Pumping	C6011	Salaries-Empl Oper S
50101205	Labor Oper Pumping - Super & Eng	C6011	Salaries-Empl Oper S
50101210	Labor Oper Pumping - Power Prod	C6011	Salaries-Empl Oper S
50101215	Labor Oper Pumping - Pump	C6011	Salaries-Empl Oper S
50101300	Labor Oper Water Treatment	C6013	Salaries-Empl Oper W
50101305	Labor Oper Water Treatment - Super & Eng	C6013	Salaries-Empl Oper W
50101400	Labor Oper Transmission & Distribution	C6015	Salaries-Empl Oper T
50101405	Labor Oper Trans & Distr - Super & Eng	C6015	Salaries-Empl Oper T
50101410	Labor Oper Trans & Distr - Storage Facility	C6015	Salaries-Empl Oper T
50101415	Labor Oper Trans & Distr - Lines	C6015	Salaries-Empl Oper T
50101420	Labor Oper Trans & Distr - Meter	C6015	Salaries-Empl Oper T
50101425	Labor Oper Trans & Distr - Meter Install	C6015	Salaries-Empl Oper T
50101500	Labor Oper Customer Accounting	C6017	Salaries-Empl CA
50101505	Labor Oper Customer Acctg - Super & Eng	C6017	Salaries-Empl CA
50101510	Labor Oper Customer Acctg - Meter Read	C6017	Salaries-Empl CA
50101515	Labor Oper Customer Acctg - Cust Rec & Coll	C6017	Salaries-Empl CA
50101520	Labor Oper Customer Acctg - Cust Serv & Info	C6017	Salaries-Empl CA
50101600	Labor Oper Admin & General	C6018	Salaries-Empl AG
50101601	Labor Oper Adm & Gen - Director & Officer	C6038	Salaries-Off/Dir AG
50102100	Labor Maint Source of Supply	C6012	Salaries-Empl Maint
50102105	Labor Maint Source of Supply - Super & Eng	C6012	Salaries-Empl Maint
50102110	Labor Maint Source of Supply - Struct &Imp	C6012	Salaries-Empl Maint
50102115	Labor Maint Source of Supply - Coll & Imp	C6012	Salaries-Empl Maint
50102120	Labor Maint Source of Supply - Lake	C6012	Salaries-Empl Maint
50102125	Labor Maint Source of Supply - Wells	C6012	Salaries-Empl Maint
50102130	Labor Maint Src of Supply-Infilt Galleries	C6012	Salaries-Empl Maint
50102135	Labor Maint Src of Supply-Supply Mains	C6012	Salaries-Empl Maint
50102200	Labor Maint Pumping	C6012	Salaries-Empl Maint
50102205	Labor Maint Pumping - Super & Eng	C6012	Salaries-Empl Maint
50102210	Labor Maint Pumping - Struct & Imp	C6012	Salaries-Empl Maint
50102215	Labor Maint Pumping - Power Prod	C6012	Salaries-Empl Maint
50102300	Labor Maint Water Treatment	C6014	Salaries-Empl Maint
50102305	Labor Maint Water Treatment - Super & Eng	C6014	Salaries-Empl Maint

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
50102310	Labor Maint Water Treatment - Struct & Imp	C6014	Salaries-Empl Maint
50102315	Labor Maint Water Treatment - Equipment	C6014	Salaries-Empl Maint
50102400	Labor Maint Transmission & Distribution	C6016	Salaries-Empl Maint
50102405	Labor Maint Transmssn & Distr - Super & Eng	C6016	Salaries-Empl Maint
50102410	Labor Maint Transmssn & Distr - Struct & Imp	C6016	Salaries-Empl Maint
50102415	Labor Maint Transmssn & Distr - Dist Res	C6016	Salaries-Empl Maint
50102420	Labor Maint Transmssn & Distr - Mains	C6016	Salaries-Empl Maint
50102425	Labor Maint Transmssn & Distr - Fire Mains	C6016	Salaries-Empl Maint
50102430	Labor Maint Transmssn & Distr - Service	C6016	Salaries-Empl Maint
50102435	Labor Maint Transmssn & Distr - Meter	C6016	Salaries-Empl Maint
50102440	Labor Maint Transmssn & Distr - Hydrants	C6016	Salaries-Empl Maint
50102600	Labor Maint Admin & General	C6018	Salaries-Empl AG
50109900	Labor Capitalized Credits	C6018	Salaries-Empl AG
50110000	Labor Non-scheduled Overtime - Natural Account	C6018	Salaries-Empl AG
50111100	Labor Oper Non-scheduled Overtime- SS	C6011	Salaries-Empl Oper S
50111105	Labor Oper Non-scheduled Overtime- SS Super & Eng	C6011	Salaries-Empl Oper S
50111200	Labor Oper Non-scheduled Overtime- P	C6011	Salaries-Empl Oper S
50111205	Labor Oper Non-scheduled Overtime- P Super & Eng	C6011	Salaries-Empl Oper S
50111210	Labor Oper Non-scheduled Overtime- P Power Prod	C6011	Salaries-Empl Oper S
50111215	Labor Oper Non-scheduled Overtime- P Pump	C6011	Salaries-Empl Oper S
50111300	Labor Oper Non-scheduled Overtime- WT	C6013	Salaries-Empl Oper W
50111305	Labor Oper Non-scheduled Overtime- WT Super & Eng	C6013	Salaries-Empl Oper W
50111400	Labor Oper Non-scheduled Overtime- TD	C6015	Salaries-Empl Oper T
50111405	Labor Oper Non-scheduled Overtime- TD Super & Eng	C6015	Salaries-Empl Oper T
50111410	Labor Oper Non-scheduled OT-TD Storage Facility	C6015	Salaries-Empl Oper T
50111415	Labor Oper Non-scheduled Overtime- TD Lines	C6015	Salaries-Empl Oper T
50111420	Labor Oper Non-scheduled Overtime- TD Meter	C6015	Salaries-Empl Oper T
50111425	Labor Oper Non-scheduled OT-TD Meter Install	C6015	Salaries-Empl Oper T
50111500	Labor Oper Non-scheduled Overtime- CA	C6017	Salaries-Empl CA
50111505	Labor Oper Non-scheduled Overtime- CA Super & Eng	C6017	Salaries-Empl CA
50111510	Labor Oper Non-scheduled Overtime- CA Meter Read	C6017	Salaries-Empl CA
50111515	Labor Oper Non-scheduled OT - CA Cust Rec & Coll	C6017	Salaries-Empl CA
50111520	Labor Oper Non-scheduled OT - CA Cust Serv & Info	C6017	Salaries-Empl CA
50111600	Labor Oper Non-scheduled Overtime- AG	C6018	Salaries-Empl AG
50112100	Labor Maint Non-scheduled Overtime- SS	C6012	Salaries-Empl Maint
50112105	Labor Maint Non-scheduled Overtime- SS Super & Eng	C6012	Salaries-Empl Maint
50112110	Labor Maint Non-scheduled OT - SS Struct & Imp	C6012	Salaries-Empl Maint
50112115	Labor Maint Non-scheduled Overtime- SS Coll & Imp	C6012	Salaries-Empl Maint
50112120	Labor Maint Non-scheduled Overtime- SS Lake	C6012	Salaries-Empl Maint
50112125	Labor Maint Non-scheduled Overtime- SS Wells	C6012	Salaries-Empl Maint
50112130	Labor Maint Non-scheduled OT - SS Infilt Gallery	C6012	Salaries-Empl Maint
50112135	Labor Maint Non-scheduled OT - SS Supply Mains	C6012	Salaries-Empl Maint
50112200	Labor Maint Non-scheduled Overtime- P	C6012	Salaries-Empl Maint
50112205	Labor Maint Non-scheduled Overtime- P Super & Eng	C6012	Salaries-Empl Maint
50112210	Labor Maint Non-scheduled Overtime- P Struct & Imp	C6012	Salaries-Empl Maint

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50112215	Labor Maint Non-scheduled Overtime- P Power Prod	C6012	Salaries-Empl Maint
50112300	Labor Maint Non-scheduled Overtime- WT	C6014	Salaries-Empl Maint
50112305	Labor Maint Non-scheduled Overtime- WT Super & Eng	C6014	Salaries-Empl Maint
50112310	Labor Maint Non-scheduled OT - WT Struct & Imp	C6014	Salaries-Empl Maint
50112315	Labor Maint Non-scheduled Overtime- WT Equipment	C6014	Salaries-Empl Maint
50112400	Labor Maint Non-scheduled Overtime- TD	C6016	Salaries-Empl Maint
50112405	Labor Maint Non-scheduled Overtime- TD Super & Eng	C6016	Salaries-Empl Maint
50112410	Labor Maint Non-scheduled OT - TD Struct & Imp	C6016	Salaries-Empl Maint
50112415	Labor Maint Non-scheduled Overtime- TD Dist Res	C6016	Salaries-Empl Maint
50112420	Labor Maint Non-scheduled Overtime- TD Mains	C6016	Salaries-Empl Maint
50112425	Labor Maint Non-scheduled Overtime- TD Fire Main	C6016	Salaries-Empl Maint
50112430	Labor Maint Non-scheduled Overtime- TD Service	C6016	Salaries-Empl Maint
50112435	Labor Maint Non-scheduled Overtime- TD Meter	C6016	Salaries-Empl Maint
50112440	Labor Maint Non-scheduled Overtime- TD Hydrant	C6016	Salaries-Empl Maint
50112600	Labor Maint Non-scheduled Overtime- AG	C6018	Salaries-Empl AG
50119900	Labor Non-scheduled Overtime- Capitalized Credits	C6018	Salaries-Empl AG
50120000	Labor Overtime - Natural Account	C6018	Salaries-Empl AG
50121100	Labor Oper Scheduled Overtime-SS	C6011	Salaries-Empl Oper S
50121105	Labor Oper Scheduled Overtime-SS Super & Eng	C6011	Salaries-Empl Oper S
50121200	Labor Oper Scheduled Overtime-P	C6011	Salaries-Empl Oper S
50121205	Labor Oper Scheduled Overtime-P Super & Eng	C6011	Salaries-Empl Oper S
50121210	Labor Oper Scheduled Overtime-P Power Prod	C6011	Salaries-Empl Oper S
50121215	Labor Oper Scheduled Overtime-P Pump	C6011	Salaries-Empl Oper S
50121300	Labor Oper Scheduled Overtime-WT	C6013	Salaries-Empl Oper W
50121305	Labor Oper Scheduled Overtime-WT Super & Eng	C6013	Salaries-Empl Oper W
50121400	Labor Oper Scheduled Overtime-TD	C6015	Salaries-Empl Oper T
50121405	Labor Oper Scheduled Overtime-TD Super & Eng	C6015	Salaries-Empl Oper T
50121410	Labor Oper Scheduled Overtime-TD Storage Facility	C6015	Salaries-Empl Oper T
50121415	Labor Oper Scheduled Overtime-TD Lines	C6015	Salaries-Empl Oper T
50121420	Labor Oper Scheduled Overtime-TD Meter	C6015	Salaries-Empl Oper T
50121425	Labor Oper Scheduled Overtime-TD Meter Install	C6015	Salaries-Empl Oper T
50121500	Labor Oper Scheduled Overtime-CA	C6017	Salaries-Empl CA
50121505	Labor Oper Scheduled Overtime-CA Super & Eng	C6017	Salaries-Empl CA
50121510	Labor Oper Scheduled Overtime-CA Merer Read	C6017	Salaries-Empl CA
50121515	Labor Oper Scheduled Overtime-CA Cust Rec & Coll	C6017	Salaries-Empl CA
50121520	Labor Oper Scheduled Overtime-CA Cust Serv & Info	C6017	Salaries-Empl CA
50121600	Labor Oper Scheduled Overtime-AG	C6018	Salaries-Empl AG
50122100	Labor Maint Scheduled Overtime-SS	C6012	Salaries-Empl Maint
50122105	Labor Maint Scheduled Overtime-SS Super & Eng	C6012	Salaries-Empl Maint
50122110	Labor Maint Scheduled Overtime-SS Struct & Imp	C6012	Salaries-Empl Maint
50122115	Labor Maint Scheduled Overtime-SS Coll & Imp	C6012	Salaries-Empl Maint
50122120	Labor Maint Scheduled Overtime-SS Lake	C6012	Salaries-Empl Maint
50122125	Labor Maint Scheduled Overtime-SS Wells	C6012	Salaries-Empl Maint
50122130	Labor Maint Scheduled Overtime-SS Infilt Gallery	C6012	Salaries-Empl Maint
50122135	Labor Maint Scheduled Overtime-SS Supply Main	C6012	Salaries-Empl Maint

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
50122200	Labor Maint Scheduled Overtime-P	C6012	Salaries-Empl Maint
50122205	Labor Maint Scheduled Overtime-P Super & Eng	C6012	Salaries-Empl Maint
50122210	Labor Maint Scheduled Overtime-P Struct & Imp	C6012	Salaries-Empl Maint
50122215	Labor Maint Scheduled Overtime-P Power Prod	C6012	Salaries-Empl Maint
50122300	Labor Maint Scheduled Overtime-WT	C6014	Salaries-Empl Maint
50122305	Labor Maint Scheduled Overtime-WT Super & Eng	C6014	Salaries-Empl Maint
50122310	Labor Maint Scheduled Overtime-WT Struct & Imp	C6014	Salaries-Empl Maint
50122315	Labor Maint Scheduled Overtime-WT Equipment	C6014	Salaries-Empl Maint
50122400	Labor Maint Scheduled Overtime-TD	C6016	Salaries-Empl Maint
50122405	Labor Maint Scheduled Overtime-TD Super & Eng	C6016	Salaries-Empl Maint
50122410	Labor Maint Scheduled Overtime-TD Struct & Imp	C6016	Salaries-Empl Maint
50122415	Labor Maint Scheduled Overtime-TD Dist Res	C6016	Salaries-Empl Maint
50122420	Labor Maint Scheduled Overtime-TD Mains	C6016	Salaries-Empl Maint
50122425	Labor Maint Scheduled Overtime-TD Fire Main	C6016	Salaries-Empl Maint
50122430	Labor Maint Scheduled Overtime-TD Service	C6016	Salaries-Empl Maint
50122435	Labor Maint Scheduled Overtime-TD Meter	C6016	Salaries-Empl Maint
50122440	Labor Maint Scheduled Overtime-TD Hydrant	C6016	Salaries-Empl Maint
50122600	Labor Maint Scheduled Overtime-AG	C6018	Salaries-Empl AG
50129900	Labor Scheduled Overtime- Capitalized Credits	C6018	Salaries-Empl AG
50171000	Annual Incentive Plan	C6018	Salaries-Empl AG
50171100	Annual Incentive Plan Cap Credits	C6018	Salaries-Empl AG
50171600	Compensation Exp - Options	C6018	Salaries-Empl AG
50171800	Compensation Exp - RSU's	C6018	Salaries-Empl AG
50185000	Severance	C6018	Salaries-Empl AG
50421000	401k Expense	C6048	Empl Pens & Ben AG
50421100	401k Expense Cap Credits	C6048	Empl Pens & Ben AG
50422000	Defined Compensation Plan Expense	C6048	Empl Pens & Ben AG
50422100	Defined Comp Plan Exp Cap Credits	C6048	Empl Pens & Ben AG
50423000	Employee Stock Purchase Plan Expense	C6048	Empl Pens & Ben AG
50424000	DC SERP Expense	C6048	Empl Pens & Ben AG
50425000	401k Restoration Expense	C6048	Empl Pens & Ben AG
50426000	Retiree Medical Expense	C6048	Empl Pens & Ben AG
50426100	Retiree Medical Expense Cap Credits	C6048	Empl Pens & Ben AG
50427000	FAS 112 Amortization	C6048	Empl Pens & Ben AG
50450000	Other Welfare - Natural Account	C6048	Empl Pens & Ben AG
50450011	Other Welfare - Source of Supply	C6041	Empl Pens & Ben Oper
50450012	Other Welfare - Pumping	C6041	Empl Pens & Ben Oper
50450013	Other Welfare - Water Treatment	C6043	Empl Pens & Ben Oper
50450014	Other Welfare - Transm & Distrib	C6045	Empl Pens & Ben Oper
50450015	Other Welfare - Customer Accounting	C6047	Empl Pens & Ben CA
50450016	Other Welfare - Admin & General	C6048	Empl Pens & Ben AG
50451000	Employee Awards	C6048	Empl Pens & Ben AG
50452000	Employee Physical Exams	C6048	Empl Pens & Ben AG
50454000	Safety Incentive Awards	C6048	Empl Pens & Ben AG
50456000	Tuition Aid	C6048	Empl Pens & Ben AG

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50457000	Training	C6048	Empl Pens & Ben AG
50458000	Referral Bonus	C6048	Empl Pens & Ben AG
50510000	PBOP Expense	C6048	Empl Pens & Ben AG
50510100	PBOP Capitalized Credits	C6048	Empl Pens & Ben AG
50550000	Group Insurance Expense	C6048	Empl Pens & Ben AG
50550100	Group Insurance Capitalized Credits	C6048	Empl Pens & Ben AG
50560000	Health Savings Account Expense	C6048	Empl Pens & Ben AG
50610000	Pension Expense	C6048	Empl Pens & Ben AG
50610100	Pension Capitalized Credits	C6048	Empl Pens & Ben AG
50620000	Pension Expense - SRP	C6048	Empl Pens & Ben AG
50630000	Pension Expense - SERP	C6048	Empl Pens & Ben AG
51010000	Purchased Water	C6101	Purchased Water Oper
51010500	PWAC Differential	C6758	Misc Exp AG
51015000	Purchased Water Interco	C6101	Purchased Water Oper
51020000	Diversion Rights	C6101	Purchased Water Oper
51110000	Waste Disposal	C6753	Misc Exp Oper WT
51110500	PSTAC Differential	C6758	Misc Exp AG
51110600	PSTAC Amortization	C6758	Misc Exp AG
51115000	Waste Disposal Interco	C6753	Misc Exp Oper WT
51120000	Amort Waste Disposal	C6753	Misc Exp Oper WT
51510000	Purchased Power - Natural Account	C6158	Purch Power Oper AG
51510011	Purchased Power - Source of Supply	C6151	Purch Power Oper SS
51510012	Purchased Power - Pumping	C6151	Purch Power Oper SS
51510013	Purchased Power - Water Treatment	C6153	Purch Power Oper WT
51510014	Purchased Power - Transmission & Distribution	C6155	Purch Power Oper TD
51510015	Purchased Power - Customer Accounting	C6157	Purch Power Oper CA
51510016	Purchased Power - Admin & General	C6158	Purch Power Oper AG
51510500	Purchased Power Balancing Account	C6151	Purch Power Oper SS
51520000	Fuel for Power Production	C6161	Purch Fuel Oper SS
51800000	Chemicals	C6183	Chemicals Oper WT
51850000	Chemicals Carbon Interco	C6183	Chemicals Oper WT
52000000	M & S (O&M) - Natural Account	C6205	M&S Oper TD
52001100	M & S Oper - Source of Supply	C6201	M&S Oper SS
52001200	M & S Oper - Pumping	C6201	M&S Oper SS
52001300	M & S Oper - Water Treatment	C6203	M&S Oper WT
52001400	M & S Oper - Transmission & Distribution	C6205	M&S Oper TD
52001500	M & S Oper - Customer Accounting	C6207	M&S CA
52001600	M & S Oper - Admin & General	C6208	M&S AG
52500000	Misc Exp (O&M) - Natural Acct	C6758	Misc Exp AG
52501100	Misc Oper - Source of Supply	C6751	Misc Exp Oper SS
52501200	Misc Oper - Pumping	C6751	Misc Exp Oper SS
52501300	Misc Oper - Water Treatment	C6753	Misc Exp Oper WT
52501400	Misc Oper - Transmission & Distribution	C6755	Misc Exp Oper TD
52501410	Misc Oper - Transmission & Distribution Storage	C6755	Misc Exp Oper TD
52501415	Misc Oper - Transmission & Distribution Mains	C6755	Misc Exp Oper TD

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
52501420	Misc Oper - Transmission & Distribution Meters	C6755	Misc Exp Oper TD
52501425	Misc Oper - Transmssn & Distr Meter Install	C6755	Misc Exp Oper TD
52501500	Misc Oper - Customer Accounting	C6757	Misc Exp CA
52501510	Misc Oper - Customer Accounting Mtr Read	C6757	Misc Exp CA
52501515	Misc Oper - Customer Accounting Cust Rec	C6757	Misc Exp CA
52501520	Misc Oper - Customer Accounting Cust Serv	C6757	Misc Exp CA
52501600	Misc Oper - Admin & General	C6758	Misc Exp AG
52503000	Advertising	C6608	Advertising AG
52510000	Bank Service Charges - Natural Account	C6758	Misc Exp AG
52510015	Bank Service Charges - Customer Accounting	C6757	Misc Exp CA
52510016	Bank Service Charges - Admin & General	C6758	Misc Exp AG
52512500	Books & Publications	C6758	Misc Exp AG
52513200	Business Development	C6758	Misc Exp AG
52514000	Charitable Contribution Deductible	C6758	Misc Exp AG
52514100	Charitable Contribution Nondeductible	C6758	Misc Exp AG
52514500	Charitable Donations - Health/Education/Environmnt	C6758	Misc Exp AG
52514600	Charitable Donations - Community	C6758	Misc Exp AG
52514700	Community Partnerships	C6758	Misc Exp AG
52514800	Community Commercial Initiatives	C6758	Misc Exp AG
52514900	Customer Education	C6758	Misc Exp AG
52514901	Customer Education Communication - Reg	C6758	Misc Exp AG
52514902	Customer Education Communication - Third Party	C6758	Misc Exp AG
52514903	Customer Education Communication - Issues	C6758	Misc Exp AG
52514904	Customer Education Communication - Conservation	C6758	Misc Exp AG
52514905	Customer Education Communication - Printed	C6758	Misc Exp AG
52514906	Customer Education - Bill Inserts	C6758	Misc Exp AG
52514907	Customer Education - Press Releases	C6758	Misc Exp AG
52514908	Customer Education - Media Editorial	C6758	Misc Exp AG
52514909	Customer Education - Video & Photo	C6758	Misc Exp AG
52514910	Customer Education - Online Development/Production	C6758	Misc Exp AG
52515000	Community Relations - Events	C6758	Misc Exp AG
52515001	Community Relations - Specialty	C6758	Misc Exp AG
52520000	Collection Agencies	C6757	Misc Exp CA
52522000	Community Relations	C6758	Misc Exp AG
52524000	Co Dues/Membership Deductible	C6758	Misc Exp AG
52524100	Co Dues/Membership Nondeductible	C6758	Misc Exp AG
52525000	Condemnation Costs	C6758	Misc Exp AG
52525500	Conservation Expense	C6758	Misc Exp AG
52526000	Credit Line Fees	C6758	Misc Exp AG
52526100	Credit Line Fees Interco	C6758	Misc Exp AG
52527000	Directors Fees	C6758	Misc Exp AG
52527100	Directors Expenses	C6758	Misc Exp AG
52532000	Electricity - Natural Account	C6758	Misc Exp AG
52532011	Electricity - Source of Supply	C6751	Misc Exp Oper SS
52532013	Electricity - Water Treatment	C6753	Misc Exp Oper WT

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
52532014	Electricity - Transmission & Distribution	C6755	Misc Exp Oper TD
52532015	Electricity - Customer Accounting	C6757	Misc Exp CA
52532016	Electricity - Admin & General	C6758	Misc Exp AG
52534000	Employee Expenses	C6758	Misc Exp AG
52534200	Conferences & Registration	C6758	Misc Exp AG
52535000	Meals Deductible	C6758	Misc Exp AG
52535100	Meals Non-Deductible	C6758	Misc Exp AG
52540000	Amort Bus Services Proj Exp	C6758	Misc Exp AG
52542000	Forms - Natural Account	C6758	Misc Exp AG
52542015	Forms - Customer Accounting	C6757	Misc Exp CA
52542016	Forms - Admin & General	C6758	Misc Exp AG
52546000	Grounds Keeping - Natural Account	C6758	Misc Exp AG
52546011	Grounds Keeping - Source of Supply	C6751	Misc Exp Oper SS
52546013	Grounds Keeping - Water Treatment	C6753	Misc Exp Oper WT
52546014	Grounds Keeping - Transmission & Distribution	C6755	Misc Exp Oper TD
52546016	Grounds Keeping - Admin & General	C6758	Misc Exp AG
52548000	Heating Oil/Gas - Natural Account	C6758	Misc Exp AG
52548011	Heating Oil/Gas - Source of Supply	C6751	Misc Exp Oper SS
52548013	Heating Oil/Gas - Water Treatment	C6753	Misc Exp Oper WT
52548014	Heating Oil/Gas - Transmission & Distribution	C6755	Misc Exp Oper TD
52548015	Heating Oil/Gas - Customer Accounting	C6757	Misc Exp CA
52548016	Heating Oil/Gas - Admin & General	C6758	Misc Exp AG
52548100	Hiring Costs	C6758	Misc Exp AG
52549000	Injuries and Damages	C6758	Misc Exp AG
52549500	Inventory Physical Write-off Scrap	C6758	Misc Exp AG
52550000	Janitorial - Natural Account	C6758	Misc Exp AG
52550012	Janitorial - Pumping	C6751	Misc Exp Oper SS
52550013	Janitorial - Water Treatment	C6753	Misc Exp Oper WT
52550014	Janitorial - Transmission & Distribution	C6755	Misc Exp Oper TD
52550015	Janitorial - Customer Accounting	C6757	Misc Exp CA
52550016	Janitorial - Admin & General	C6758	Misc Exp AG
52554500	Lab Supplies	C6753	Misc Exp Oper WT
52556000	Lobbying Expenses	C6758	Misc Exp AG
52556500	Low Income Pay Program	C6758	Misc Exp AG
52562000	Office & Admin Supplies - Natural Account	C6758	Misc Exp AG
52562011	Office & Admin Supplies - Source of Supply	C6751	Misc Exp Oper SS
52562013	Office & Admin Supplies - Water Treatment	C6753	Misc Exp Oper WT
52562014	Office & Admin Supplies - Transmssn & Distr	C6755	Misc Exp Oper TD
52562015	Office & Admin Supplies - Customer Accounting	C6757	Misc Exp CA
52562016	Office & Admin Supplies - Admin & General	C6758	Misc Exp AG
52562500	Overnight Shipping - Natural Account	C6758	Misc Exp AG
52562511	Overnight Shipping - Source of Supply	C6751	Misc Exp Oper SS
52562513	Overnight Shipping - Water Treatment	C6753	Misc Exp Oper WT
52562514	Overnight Shipping - Transmission & Distribution	C6755	Misc Exp Oper TD
52562515	Overnight Shipping - Customer Accounting	C6757	Misc Exp CA

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52562516	Overnight Shipping - Admin & General	C6758	Misc Exp AG
52564000	Penalties Nondeductible	C6758	Misc Exp AG
52566000	Postage - Natural Account	C6758	Misc Exp AG
52566015	Postage - Customer Accounting	C6757	Misc Exp CA
52566016	Postage - Admin & General	C6758	Misc Exp AG
52566700	Printing	C6758	Misc Exp AG
52567000	Relocation Expenses	C6758	Misc Exp AG
52568000	Research & Development	C6758	Misc Exp AG
52571000	Security Service - Natural Account	C6758	Misc Exp AG
52571011	Security Service - Source of Supply	C6751	Misc Exp Oper SS
52571013	Security Service - Water Treatment	C6753	Misc Exp Oper WT
52571014	Security Service - Transmission & Distribution	C6755	Misc Exp Oper TD
52571015	Security Service - Customer Accounting	C6757	Misc Exp CA
52571016	Security Service - Admin & General	C6758	Misc Exp AG
52571100	Add'l Security Costs	C6758	Misc Exp AG
52571500	Software Licenses	C6758	Misc Exp AG
52572000	Telemetering - Source of Supply	C6751	Misc Exp Oper SS
52574000	Telephone - Natural Account	C6758	Misc Exp AG
52574011	Telephone - Source of Supply	C6751	Misc Exp Oper SS
52574013	Telephone - Water Treatment	C6753	Misc Exp Oper WT
52574014	Telephone - Transmission & Distribution	C6755	Misc Exp Oper TD
52574015	Telephone - Customer Accounting	C6757	Misc Exp CA
52574016	Telephone - Admin & General	C6758	Misc Exp AG
52574100	Cell Phone - Natural Account	C6758	Misc Exp AG
52574111	Cell Phone - Source of Supply	C6751	Misc Exp Oper SS
52574113	Cell Phone - Water Treatment	C6753	Misc Exp Oper WT
52574114	Cell Phone - Transmission & Distribution	C6755	Misc Exp Oper TD
52574115	Cell Phone - Customer Accounting	C6757	Misc Exp CA
52574116	Cell Phone - Admin & General	C6758	Misc Exp AG
52574200	Data Lines - Admin & General	C6758	Misc Exp AG
52574300	Wireless - Service First - Natural Account	C6758	Misc Exp AG
52574314	Wireless - Service First-Transmission&Distribution	C6755	Misc Exp Oper TD
52574315	Wireless - Service First - Customer Accounting	C6757	Misc Exp CA
52574316	Wireless - Service First - Admin & General	C6758	Misc Exp AG
52577500	Trade Shows	C6758	Misc Exp AG
52578000	Trash Removal - Natural Account	C6758	Misc Exp AG
52578011	Trash Removal - Source of Supply	C6751	Misc Exp Oper SS
52578013	Trash Removal - Water Treatment	C6753	Misc Exp Oper WT
52578014	Trash Removal - Transmission & Distribution	C6755	Misc Exp Oper TD
52578015	Trash Removal - Customer Accounting	C6757	Misc Exp CA
52578016	Trash Removal - Admin & General	C6758	Misc Exp AG
52579000	Trustee Fees	C6758	Misc Exp AG
52582000	Uniforms - Natural Account	C6757	Misc Exp CA
52582011	Uniforms - Source of Supply	C6751	Misc Exp Oper SS
52582012	Uniforms - Pumping	C6753	Misc Exp Oper WT

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
52582013	Uniforms - Water Treatment	C6753	Misc Exp Oper WT
52582014	Uniforms - Transmission & Distribution	C6755	Misc Exp Oper TD
52582015	Uniforms - Customer Accounting	C6757	Misc Exp CA
52582016	Uniforms - Admin & General	C6757	Misc Exp CA
52583000	Water & WW - Natural Account	C6758	Misc Exp AG
52583011	Water & WW - Source of Supply	C6751	Misc Exp Oper SS
52583013	Water & WW - Water Treatment	C6753	Misc Exp Oper WT
52583014	Water & WW - Transmission & Distribution	C6755	Misc Exp Oper TD
52583016	Water & WW - Admin & General	C6758	Misc Exp AG
52585000	Discounts Available	C6758	Misc Exp AG
52585100	Discounts Lost	C6758	Misc Exp AG
52586000	PO Small Price Differences - within tolerance	C6758	Misc Exp AG
52599800	PCard Undistributed	C6758	Misc Exp AG
52801000	Capital Purchases Clearing	C6758	Misc Exp AG
52801100	Indirect Overhead Clearing	C6758	Misc Exp AG
52801200	Capital Accrual Clearing	C6758	Misc Exp AG
52801500	Dev Funded Const Clearing	C6758	Misc Exp AG
52805000	Budget COR Clearing	C6758	Misc Exp AG
52805100	Indirect Overhead RWIP Clearing	C6758	Misc Exp AG
53110000	Contract Svc-Eng - Natural Account	C6318	Cont Serv Eng AG
53110011	Contract Svc-Eng - Source of Supply	C6311	Cont Serv Eng Oper S
53110013	Contract Svc-Eng - Water Treatment	C6313	Cont Serv Eng Oper W
53110014	Contract Svc-Eng - Transmission & Distribution	C6315	Cont Serv Eng Oper T
53110015	Contract Svc-Eng - Customer Accounting	C6317	Cont Serv Eng CA
53110016	Contract Svc-Eng - Admin & General	C6318	Cont Serv Eng AG
53150000	Contract Svc-Other - Natural Account	C6368	Cont Serv Other AG
53150011	Contract Svc-Other - Source of Supply	C6361	Cont Serv Other Oper
53150013	Contract Svc-Other - Water Treatment	C6363	Cont Serv Other Oper
53150014	Contract Svc-Other - Transmission & Distribution	C6365	Cont Serv Other Oper
53150015	Contract Svc-Other - Customer Accounting	C6367	Cont Serv Other CA
53150016	Contract Svc-Other - Admin & General	C6368	Cont Serv Other AG
53151000	Contract Svc-Temp Empl - Natural Account	C6368	Cont Serv Other AG
53151011	Contract Svc-Temp Empl - Source of Supply	C6361	Cont Serv Other Oper
53151013	Contract Svc-Temp Empl - Water Treatment	C6363	Cont Serv Other Oper
53151014	Contract Svc-Temp Empl - Transmssn & Distr	C6365	Cont Serv Other Oper
53151015	Contract Svc-Temp Empl - Customer Accounting	C6367	Cont Serv Other CA
53151016	Contract Svc-Temp Empl - Admin & General	C6368	Cont Serv Other AG
53152000	Contract Svc-Lab Testing - Water Treatment	C6353	Cont Serv Testing Op
53153000	Contract Services - Accounting	C6328	Cont Serv Acct AG
53154000	Contract Services - Audit Fees	C6328	Cont Serv Acct AG
53155000	Contract Services - Legal	C6338	Cont Serv Legal AG
53156000	Contract Services - Litigation	C6338	Cont Serv Legal AG
53157000	Contract Services - Outplacement	C6758	Misc Exp AG
53158000	Contract Services - BT Related Incr Ext Costs	C6368	Cont Serv Other AG
53159000	Contract Services - Centrally Sponsored Projects	C6338	Cont Serv Legal AG

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53185000	Contract Services - Interco	C6368	Cont Serv Other AG
53401000	AWWSC Services - Labor OPEX	C6348	Cont Serv Mgmt Fee A
53401100	AWWSC Services - Pension OPEX	C6348	Cont Serv Mgmt Fee A
53401200	AWWSC Services - Group Insurance OPEX	C6348	Cont Serv Mgmt Fee A
53401300	AWWSC Services - Other Benefits OPEX	C6348	Cont Serv Mgmt Fee A
53401400	AWWSC Services - Contracted Services OPEX	C6348	Cont Serv Mgmt Fee A
53401500	AWWSC Services - Office Supplies OPEX	C6348	Cont Serv Mgmt Fee A
53401700	AWWSC Services - Rents OPEX	C6348	Cont Serv Mgmt Fee A
53401900	AWWSC Services - Maint Supplies & Svcs OPEX	C6348	Cont Serv Mgmt Fee A
53402100	AWWSC Services - Other O&M Expense OPEX	C6348	Cont Serv Mgmt Fee A
53402200	AWWSC Services - Depr & Amort OPEX	C6348	Cont Serv Mgmt Fee A
53402300	AWWSC Services - General Taxes OPEX	C6348	Cont Serv Mgmt Fee A
53402400	AWWSC Services - Net Interest OPEX	C6348	Cont Serv Mgmt Fee A
53402500	AWWSC Services - Other Inc & Ded OPEX	C6348	Cont Serv Mgmt Fee A
53402600	AWWSC Services - Income Taxes OPEX	C6348	Cont Serv Mgmt Fee A
53409999	AWWSC Services - Conversion	C6348	Cont Serv Mgmt Fee A
53481000	AWWSC Services - Labor CAPX	C6348	Cont Serv Mgmt Fee A
53481100	AWWSC Services - Pension CAPX	C6348	Cont Serv Mgmt Fee A
53481200	AWWSC Services - Group Insurance CAPX	C6348	Cont Serv Mgmt Fee A
53481300	AWWSC Services - Other Benefits CAPX	C6348	Cont Serv Mgmt Fee A
53481400	AWWSC Services - Contracted Services CAPX	C6348	Cont Serv Mgmt Fee A
53481500	AWWSC Services - Office Supplies CAPX	C6348	Cont Serv Mgmt Fee A
53481700	AWWSC Services - Rents CAPX	C6348	Cont Serv Mgmt Fee A
53481900	AWWSC Services - Maint Supplies & Svcs CAPX	C6348	Cont Serv Mgmt Fee A
53482100	AWWSC Services - Other O&M Expense CAPX	C6348	Cont Serv Mgmt Fee A
53482200	AWWSC Services - Depr & Amort CAPX	C6348	Cont Serv Mgmt Fee A
53482300	AWWSC Services - General Taxes CAPX	C6348	Cont Serv Mgmt Fee A
53482400	AWWSC Services - Net Interest CAPX	C6348	Cont Serv Mgmt Fee A
53482500	AWWSC Services - Other Inc & Ded CAPX	C6348	Cont Serv Mgmt Fee A
53482600	AWWSC Services - Income Taxes CAPX	C6348	Cont Serv Mgmt Fee A
54110000	Rents-Real Property - Natural Account	C6418	Rents-Real Prop AG
54110011	Rents-Real Property - Source of Supply	C6411	Rents-Real Prop Oper
54110012	Rents-Real Property - Pumping	C6411	Rents-Real Prop Oper
54110013	Rents-Real Property - Water Treatment	C6413	Rents-Real Prop Oper
54110014	Rents-Real Property - Transmission & Distribution	C6415	Rents-Real Prop Oper
54110015	Rents-Real Property - Customer Accounting	C6417	Rents-Real Prop CA
54110016	Rents-Real Property - Admin & General	C6418	Rents-Real Prop AG
54115000	Rents-Real Property Interco	C6418	Rents-Real Prop AG
54140000	Rents-Equipment - Natural Account	C6428	Rents-Equipment AG
54140011	Rents-Equipment - Source of Supply	C6421	Rents-Equipment Oper
54140012	Rents-Equipment - Pumping	C6421	Rents-Equipment Oper
54140013	Rents-Equipment - Water Treatment	C6423	Rents-Equipment Oper
54140014	Rents-Equipment - Transmission & Distribution	C6425	Rents-Equipment Oper
54140015	Rents-Equipment - Customer Accounting	C6427	Rents-Equipment CA
54140016	Rents-Equipment - Admin & General	C6428	Rents-Equipment AG

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GL Account	GL Account Description	NARUC96	NARUC96 Account Description
54145000	Rents-Equipment Intercompany	C6418	Rents-Real Prop AG
55000000	Transportation (O&M) - Natural Account	C6508	Transportation AG
55000011	Transportation Oper - Source of Supply	C6501	Transportation Oper
55000012	Transportation Oper - Pumping	C6501	Transportation Oper
55000013	Transportation Oper - Water Treatment	C6503	Transportation Oper
55000014	Transportation Oper - Transmission & Distribution	C6505	Transportation Oper
55000015	Transportation Oper - Customer Accounting	C6507	Transportation CA
55000016	Transportation Oper - Admin & General	C6508	Transportation AG
55000021	Transportation Maint - Source of Supply	C6502	Transportation Maint
55000022	Transportation Maint - Pumping	C6502	Transportation Maint
55000023	Transportation Maint - Water Treatment	C6504	Transportation Maint
55000024	Transportation Maint - Transmission & Distribution	C6506	Transportation Maint
55000026	Transportation Maint - Admin & General	C6508	Transportation AG
55000100	Transportation Capitalized Credits	C6508	Transportation AG
55010100	Transportation Lease Costs	C6508	Transportation AG
55010200	Transportation Lease Fuel	C6508	Transportation AG
55010300	Transportation Lease Maint	C6508	Transportation AG
55010400	Transportation - Employee Reimbursement to Company	C6508	Transportation AG
55010500	Transportation - Reimburse Employee Personal Use	C6508	Transportation AG
55020000	Fuel - Physical Inventory Write-off Scrap	C6508	Transportation AG
55110000	Insurance Vehicle	C6568	Ins Vehicle AG
55115000	Insurance Vehicle - Intercompany	C6568	Ins Vehicle AG
55710000	Insurance General Liabilty	C6578	Ins Gen Liab AG
55711000	Insurance Casualty Reserve	C6578	Ins Gen Liab AG
55715000	Insurance General Liabilty - Intercompany	C6578	Ins Gen Liab AG
55720000	Insurance Workers Compensation	C6588	Ins Work Comp AG
55720100	Insurance WC Capitalized Credits	C6588	Ins Work Comp AG
55725000	Insurance Workers Compensation - Intercompany	C6588	Ins Work Comp AG
55730000	Insurance Other	C6598	Ins Other AG
55735000	Insurance Other - Intercompany	C6598	Ins Other AG
55740000	Insurance Property	C6598	Ins Other AG
55745000	Insurance Property - Intercompany	C6598	Ins Other AG
56610000	Regulatory Exp - Amortization	C6668	Reg Exp-Rate Case
56611000	Regulatory Exp - Not Authorized	C6668	Reg Exp-Rate Case
56620000	Regulatory Exp - Amort Depreciation Study	C6678	Reg Exp-Other AG
56630000	Regulatory Exp - Amort Management Study	C6678	Reg Exp-Other AG
56670000	Regulatory Exp - Other	C6678	Reg Exp-Other AG
57010000	Uncollectible Accounts Exp - Natural Account	C6707	Bad Debt Expense
57010015	Uncollectible Accounts Exp - Customer Accounting	C6707	Bad Debt Expense
57010016	Uncollectible Accounts Exp - Admin & General	C6707	Bad Debt Expense
57010100	Uncollectible Accounts Exp - Individual Value Adj	C6707	Bad Debt Expense
57010199	Uncollectible Expense - Leak Adjustments	C6707	Bad Debt Expense
58001000	Impairment - Goodwill	C6758	Misc Exp AG
58001500	Impairment - Intangibles	C6758	Misc Exp AG
58002000	Impairment - Plant Property & Equipment	C6758	Misc Exp AG

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59011000	Gains/Losses Non-Utility Property Disposals	C426	Misc Nonutility Expe
59011500	Gains/Losses Non-Utility Property Sales	C426	Misc Nonutility Expe
59021000	Gains/Losses Utility Property Sales	C426	Misc Nonutility Expe
59022000	Gains/Losses Acquisition of Asset	C426	Misc Nonutility Expe
62002100	M&S Maint - Source of Supply	C6202	M&S Maint SS
62002200	M&S Maint - Pumping	C6202	M&S Maint SS
62002300	M&S Maint - Water Treatment	C6204	M&S Maint WT
62002400	M&S Maint - Transmission & Distribution	C6206	M&S Maint TD
62002600	M&S Maint - Admin & General	C6208	M&S AG
62502100	Misc Maint - Source of Supply	C6752	Misc Exp Maint SS
62502110	Misc Maint - Source of Supply Struct & Imp	C6752	Misc Exp Maint SS
62502115	Misc Maint - Source of Supply Coll & Imp	C6752	Misc Exp Maint SS
62502120	Misc Maint - Source of Supply Lake	C6752	Misc Exp Maint SS
62502125	Misc Maint - Source of Supply Wells	C6752	Misc Exp Maint SS
62502130	Misc Maint - Source of Supply Infil Gallery	C6752	Misc Exp Maint SS
62502135	Misc Maint - Source of Supply Supply Mains	C6752	Misc Exp Maint SS
62502200	Misc Maint - Pumping	C6752	Misc Exp Maint SS
62502210	Misc Maint - Pumping - Struct & Imp	C6752	Misc Exp Maint SS
62502215	Misc Maint - Pumping - Power Production	C6752	Misc Exp Maint SS
62502300	Misc Maint - Water Treatment	C6754	Misc Exp Maint WT
62502310	Misc Maint - Water Treatment - Struct & Imp	C6754	Misc Exp Maint WT
62502315	Misc Maint - Water Treatment - Equipment	C6754	Misc Exp Maint WT
62502400	Misc Maint - Transmission & Distribution	C6756	Misc Exp Maint TD
62502410	Misc Maint - Transmission & Distr - Struct & Imp	C6756	Misc Exp Maint TD
62502415	Misc Maint - Transmission & Distrib - Dist Res	C6756	Misc Exp Maint TD
62502420	Misc Maint - Transmission & Distribution - Mains	C6756	Misc Exp Maint TD
62502425	Misc Maint - Transmission & Distrib - Fire Main	C6756	Misc Exp Maint TD
62502430	Misc Maint - Transmission & Distribution - Service	C6756	Misc Exp Maint TD
62502435	Misc Maint - Transmission & Distribution - Meters	C6756	Misc Exp Maint TD
62502440	Misc Maint - Transmission & Distribution - Hydrant	C6756	Misc Exp Maint TD
62502600	Misc Maint - Admin & General	C6758	Misc Exp AG
62510000	Amort Def Maint - Natural Account	C6756	Misc Exp Maint TD
62512100	Amort Def Maint - Source of Supply	C6752	Misc Exp Maint SS
62512200	Amort Def Maint - Pumping	C6752	Misc Exp Maint SS
62512300	Amort Def Maint - Water Treatment	C6754	Misc Exp Maint WT
62512400	Amort Def Maint - Transmission & Distribution	C6756	Misc Exp Maint TD
62520700	Misc Maint Paving/Backfill	C6756	Misc Exp Maint TD
62520800	Misc Maint Permits - Natural Account	C6756	Misc Exp Maint TD
62520821	Misc Maint Permits - Source of Supply	C6756	Misc Exp Maint TD
62520824	Misc Maint Permits - Transmission & Distribution	C6756	Misc Exp Maint TD
63110021	Contract Svc-Eng Maint - Source of Supply	C6312	Cont Serv Eng Maint
63110022	Contract Svc-Eng Maint - Pumping	C6312	Cont Serv Eng Maint
63110023	Contract Svc-Eng Maint - Water Treatment	C6314	Cont Serv Eng Maint
63110024	Contract Svc-Eng Maint - Transmission & Distr	C6316	Cont Serv Eng Maint
63110026	Contract Svc-Eng Maint - Admin & General	C6318	Cont Serv Eng AG

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63150021	Contract Svc-Other Maint - Source of Supply	C6362	Cont Serv Other Main
63150022	Contract Svc-Other Maint - Pumping	C6363	Cont Serv Other Oper
63150023	Contract Svc-Other Maint - Water Treatment	C6364	Cont Serv Other Main
63150024	Contract Svc-Other Maint - Transmission & Distr	C6366	Cont Serv Other Main
63150026	Contract Svc-Other Maint - Admin & General	C6368	Cont Serv Other AG
68011000	Depreciation Exp - UPIS General	C403	Depreciation Exp
68011200	Depreciation Exp - Non-Utility Property	C403	Depreciation Exp
68011500	Depreciation Exp - Amort Def Depreciation	C403	Depreciation Exp
68012000	Depreciation Exp - Amort CIAC Tax	C403	Depreciation Exp
68012500	Depreciation Exp - Amort CIAC Nontax	C403	Depreciation Exp
68013000	Depreciation Exp - UPAA FAS141	C403	Depreciation Exp
68013500	Depreciation Exp - Neg UPAA	C403	Depreciation Exp
68251000	Amortization - Ltd Term Plant	C4071	Amort-Ltd Term UP
68252000	Amortization - Capital Leases	C4071	Amort-Ltd Term UP
68253000	Amortization - Post In-Service AFUDC	C4071	Amort-Ltd Term UP
68254000	Amortization - Reg Asset AFUDC	C4071	Amort-Ltd Term UP
68255000	Amortization - UPAA	C406	Amort UPAA
68256000	Amortization - Intangible Finite Life	C406	Amort UPAA
68257000	Amortization - Property Losses	C4072	Amort-Prop Losses
68258000	Amortization - Reg Asset	C4074	Amort-Reg Asset
68259000	Amortization - Other UP	C4073	Amort-Other UP
68311000	Removal Costs - ARO/Net Neg Salvage	C403	Depreciation Exp
68312000	Removal Costs - Net Negative Salvage CIAC Tax	C403	Depreciation Exp
68312500	Removal Costs - Net Negative Salvage CIAC Non-Tax	C403	Depreciation Exp
68520000	Property Taxes	C40811	Taxes Oth than Inc-P
68520100	Tax Discounts	C40811	Taxes Oth than Inc-P
68529000	Property Tax Non-Utility Property	C40820	Taxes Oth than Inc-O
68532000	FUTA	C40812	Taxes Oth than Inc-P
68532100	FUTA Cap Credits	C40812	Taxes Oth than Inc-P
68533000	FICA	C40812	Taxes Oth than Inc-P
68533100	FICA Cap Credits	C40812	Taxes Oth than Inc-P
68535000	SUTA	C40812	Taxes Oth than Inc-P
68535100	SUTA Cap Credits	C40812	Taxes Oth than Inc-P
68536000	ER Local Tax	C40812	Taxes Oth than Inc-P
68536100	Local Cap Credit	C40812	Taxes Oth than Inc-P
68541000	Capital Stock Tax	C40813	Taxes Oth than Inc-O
68542000	Enviromental Tax	C40813	Taxes Oth than Inc-O
68543000	Other Taxes and Licenses	C40813	Taxes Oth than Inc-O
68544000	Gross Receipts Tax	C40813	Taxes Oth than Inc-O
68545000	Utility Reg Assessment	C40810	Taxes Oth than Inc-R
69011000	FIT - Current	C40910	Income Taxes-FIT Ope
69011400	FIT - Current - Unitary Returns	C40910	Income Taxes-FIT Ope
69012000	FIT - Prior Year Adjustment	C40910	Income Taxes-FIT Ope
69012400	FIT - Prior Year - Unitary Returns	C40910	Income Taxes-FIT Ope
69012500	FIT - Acquisition Adjustment	C40910	Income Taxes-FIT Ope

Kentucky-American Water Company
Chart of Accounts

GL Account	GL Account Description	NARUC96	NARUC96 Account Description
69021000	SIT - Current	C40911	Income Taxes-SIT Ope
69021400	SIT - Current - Unitary Returns	C40911	Income Taxes-SIT Ope
69022000	SIT - Prior Year Adjustment	C40911	Income Taxes-SIT Ope
69022400	SIT - Prior Year - Unitary Returns	C40911	Income Taxes-SIT Ope
69022500	SIT - Acquisition Adjustment	C40911	Income Taxes-SIT Ope
69031000	FIT - Other Income & Deductions Current Year	C40920	Income Taxes-Oth Inc
69031500	FIT - Reduction Acquisition Adjustment	C40920	Income Taxes-Oth Inc
69041000	SIT - Other Income & Deductions Current Year	C40920	Income Taxes-Oth Inc
69041500	SIT - Reduction Acquisition Adjustment	C40920	Income Taxes-Oth Inc
69061000	Deferred FIT - Current Year	C41010	Def Inc Tax-FIT
69061400	Deferred FIT - Current Year - Unitary Returns	C41010	Def Inc Tax-FIT
69062000	Deferred FIT - Prior Year Adjustment	C41010	Def Inc Tax-FIT
69062400	Deferred FIT - Prior Year - Unitary Returns	C41010	Def Inc Tax-FIT
69063000	Deferred FIT - Reg Asset/Liability	C41010	Def Inc Tax-FIT
69065000	Deferred FIT - Other	C41010	Def Inc Tax-FIT
69071000	Deferred SIT - Current Year	C41011	Def Inc Tax-SIT
69071400	Deferred SIT - Current Year - Unitary Returns	C41011	Def Inc Tax-SIT
69072000	Deferred SIT - Prior Year Adjustment	C41011	Def Inc Tax-SIT
69072400	Deferred SIT - Prior Year - Unitary Returns	C41011	Def Inc Tax-SIT
69073000	Deferred SIT - Reg Asset/Liability	C41011	Def Inc Tax-SIT
69073500	Deferred SIT - Other	C41011	Def Inc Tax-SIT
69522000	Investment Tax Credits Restored - 3%	C41211	ITC-Restored
69523000	Investment Tax Credits Restored - 4%	C41211	ITC-Restored
69524000	Investment Tax Credits Restored - 10%	C41211	ITC-Restored
69525000	Investment Tax Credits Restored - 6%	C41211	ITC-Restored
69550000	Investment Tax Credits Restored SIT	C41211	ITC-Restored
70510000	AFUDC - Equity	C420	AFUDC
71010000	Dividend Income	C419	Interest & Dividend
71015000	Dividend Income C/S Interco	C419	Interest & Dividend
71030000	Dividend Income P/S Interco	C419	Interest & Dividend
71511000	M&J Revenues	C415	M&J Revenues
71511500	M&J Revenues Intercompany	C415	M&J Revenues
71511510	M&J Rev WLPP Billing Intercompany	C415	M&J Revenues
71521000	M&J Expenses	C416	M&J Expenses
71521500	M&J Expenses Intercompany	C416	M&J Expenses
71611000	Misc Nonutility Revenue	C421	Nonutility Income
71611100	Misc Nonutility Rev Rents	C421	Nonutility Income
71611510	Misc Nonutility Revenue Intercompany	C421	Nonutility Income
71611520	Misc Nonutility Rev Debt Exp Intercompany	C421	Nonutility Income
71611530	Misc Nonutility Rev Credit Line Intercompany	C421	Nonutility Income
71611540	Misc Nonutility Rev Rent Intercompany	C421	Nonutility Income
71621000	Misc Nonutility Expense	C426	Misc Nonutility Expe
71630000	Misc Nonutility JV Profit/Loss	C426	Misc Nonutility Expe
71711000	Gains/Losses SERP Inv (Suppl Exec Retiremnt Plan)	C426	Misc Nonutility Expe
71712000	Gains/Losses Other Non-Operating	C426	Misc Nonutility Expe

Kentucky-American Water Company
Chart of Accounts

GL Account	GL Account Description	NARUC96	NARUC96 Account Description
71713000	Gains/Losses Deferred Comp Trust	C426	Misc Nonutility Expe
71810000	Other Non-service Pension Benefit Cost	C6048	Empl Pens & Ben AG
71820000	Other Non-service PBOP Benefit Cost	C6048	Empl Pens & Ben AG
72801000	Adv Receipt Services Clearing	C421	Nonutility Income
72801100	Adv Receipt Non-Services Clearing	C421	Nonutility Income
72801200	Adv Refund Services Clearing	C421	Nonutility Income
72801300	Adv Refund Non-Services Clearing	C421	Nonutility Income
72802000	CIAC Receipt Services Clearing	C421	Nonutility Income
72802100	CIAC Receipt Non-Services Clearing	C421	Nonutility Income
72803000	Salvage/Scrap Receipt Clearing	C421	Nonutility Income
72803100	Property Sale Receipt Clearing	C421	Nonutility Income
75510000	Amortize UPAA	C426	Misc Nonutility Expe
75520000	Amortize Preferred Stock Expense	C426	Misc Nonutility Expe
75810000	Donations Deductible	C426	Misc Nonutility Expe
75811000	Donations Deduct Customer Assist	C426	Misc Nonutility Expe
75815000	Donations Non-deductible	C426	Misc Nonutility Expe
75820000	Other Income Deductions	C426	Misc Nonutility Expe
75840000	Lobbying Expenses	C426	Misc Nonutility Expe
75841000	Political Contributiions	C426	Misc Nonutility Expe
81010000	Interest Long Term Debt	C4273	Int Exp-LTD
81015000	Interest Long Term Debt Intercompany	C4273	Int Exp-LTD
81016000	Interest expense-LTD debt discount amort inside	C4273	Int Exp-LTD
81017000	Early Debt Retirement Loss - External	C4273	Int Exp-LTD
81017100	Early Debt Retirement Gain - Intercompany	C4273	Int Exp-LTD
81017200	Early Debt Retirement Loss - Intercompany	C4273	Int Exp-LTD
81020000	Dividends Declared P/S w/ Mand Redemptn Requiremts	C437	Dividends Declared -
81030000	Interest Capital Lease	C4273	Int Exp-LTD
81035000	Interest Capital Lease Intercompany	C4273	Int Exp-LTD
81050000	Interest LTD Gain/Loss Hedge SWAP	C4273	Int Exp-LTD
81050100	Interest LTD Gain/Loss Hedge Debt	C4273	Int Exp-LTD
81050300	Gain on Hedge	C4273	Int Exp-LTD
81050305	Gain on Hedge Intercompany	C4273	Int Exp-LTD
81050400	Loss on Hedge	C4273	Int Exp-LTD
81050405	Loss on Hedge Intercompany	C4273	Int Exp-LTD
81055200	Interest LTD Gain/Loss Hedge Intercompany	C4273	Int Exp-LTD
81310000	Interest Short Term Debt	C4272	Int Exp-Short Term D
81315000	Interest Short Term Debt Intercompany	C4272	Int Exp-Short Term D
81315100	In-House Cash Center Interest Inc/Exp Clearing	C4272	Int Exp-Short Term D
81500000	Interest Other	C4275	Int Exp-Other
81810000	Interest Income	C419	Interest & Dividend
81815000	Interest income-LTD intercompany	C419	Interest & Dividend
81815100	Interest Income - STD Intercompany	C4273	Int Exp-LTD
81816000	Interest Income - LTD debt discount amort	C4273	Int Exp-LTD
81817000	AWTR Interest Income - LTD debt premium amort	C4273	Int Exp-LTD
82010000	Amortize Debt Disc & Exp	C428	Amort Debt Expense

Kentucky-American Water Company
Chart of Accounts

GL Account	GL Account Description	NARUC96	NARUC96 Account Description
82015000	Amortize Debt Disc & Exp Intercompany	C428	Amort Debt Expense
82016000	Amortize Debt Exp Inside-Revolving Credit Line	C428	Amort Debt Expense
82020000	Amort P/S Exp w/ Mandatory Redemptn Requiremts	C428	Amort Debt Expense
85000000	AFUDC Debt	C420	AFUDC
86021000	Dividend Declared Common Stock	C438	Dividends Declared -
86021500	Dividend Declared Common Stock Intercompany	C438	Dividends Declared -
86031000	Dividend Declared Preferred Stock	C437	Dividends Declared -
86031500	Dividend Declared Preferred Stock Intercompany	C437	Dividends Declared -
88101000	Capital Movements - UP	C6758	Misc Exp AG
88106000	Capital Movements - CCNC	C6758	Misc Exp AG
88107000	Capital Movements - CWIP	C6758	Misc Exp AG
88108020	Capital Movements - UP - A/D - Salvage	C6758	Misc Exp AG
88121000	Capital Movements - Non-Utility Property	C6758	Misc Exp AG
88121800	Capital Movements - Non-Utility Property - CWIP	C6758	Misc Exp AG
88186800	Capital Movements - Reg Asset Cost of Removal	C6758	Misc Exp AG
88186801	Capital Movements - Reg Asset Cost of Removal RWIP	C6758	Misc Exp AG
88252100	Capital Movements - ADV NT	C6758	Misc Exp AG
88252170	Capital Movements - ADV NT WIP	C6758	Misc Exp AG
88252200	Capital Movements - ADV Tax	C6758	Misc Exp AG
88252270	Capital Movements - ADV Tax WIP	C6758	Misc Exp AG
88257000	Capital Movements - Cost of Removal	C6758	Misc Exp AG
88257100	Capital Movements - RWIP	C6758	Misc Exp AG
88271100	Capital Movements - CIAC NT	C6758	Misc Exp AG
88271170	Capital Movements - CIAC NT WIP	C6758	Misc Exp AG
88271200	Capital Movements - CIAC Tax	C6758	Misc Exp AG
88271270	Capital Movements - CIAC Tax WIP	C6758	Misc Exp AG
88900000	Capital Movements - Settlement	C6758	Misc Exp AG

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 30

Description of Filing Requirement:

The latest twelve (12) months of the monthly managerial reports providing financial results of operations in comparison to the forecast.

Response:

Please see attached documents which include the twelve monthly financial results of operations in comparison to forecast/budget reports for the twelve months ended October 2018.

For electronic version, refer to KAW_APP_EX30_112818.pdf.

Kentucky

Nov 2017 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES				
Water revenues	1	7,324	7,491	(167)
Sewer revenues	2	47	53	(6)
Other operating revenues	3	201	182	19
Operating revenues		**7,573**	**7,727**	**(154)**
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	4	23	15	(7)
Fuel and Power	5	287	333	46
Chemicals	6	130	137	7
Waste disposal	7	34	27	(7)
Total production costs		**474**	**513**	**39**
Salaries & Wages	8	586	608	22
Pensions	9	59	70	11
Group insurances	10	124	120	(4)
Other benefits	11	46	39	(7)
Total employee related		**815**	**836**	**21**
Service Company costs	12	**715**	**685**	**(30)**
Contracted services	13	68	60	(8)
Building maintenance and services	14	40	44	4
Telecommunication expenses	15	20	20	1
Office supplies & expenses	16	25	25	0
Employee related expense travel & entertainment	17	15	8	(7)
Miscellaneous expenses	18	152	78	(74)
Rents	19	1	1	(0)
Transportation	20	40	34	(6)
Other	21	0	3	3
Operating supplies & services		**360**	**273**	**(87)**
Uncollectible Accounts Exp	22	59	60	0
Customer accounting other	23	86	99	13
Regulatory expense	24	24	20	(4)
Insurance other than group	25	54	69	15
Maintenance service & supplies	26	272	178	(93)
Total operation and maintenance		**2,859**	**2,733**	**(126)**
Depreciation	27	1,152	1,143	(8)
Amortization	28	22	20	(2)
Removal costs	29	183	163	(20)
Depreciation and Amortization		**1,357**	**1,326**	**(30)**
General taxes	30	530	560	30
Loss (gain) on sale of assets	31	0	0	0
Impairment charges	32	0	0	0
Total operating expenses net		**4,746**	**4,620**	**(126)**
Operating income (loss)		**2,826**	**3,107**	**(280)**
OTHER INCOME (EXPENSES)				
Interest Income	33	(2)	0	2
Interest on long-term debt	34	1,029	1,048	19
Interest on Short-Term Bank Debt	35	0	9	9
Other Interest Expense	36	0	0	0
Interest net		**1,027**	**1,057**	**30**
Allowance for other funds used during construction	37	68	61	6
Allowance for borrowed funds used during construction	38	28	14	14
Amortization of debt expense	39	9	10	0
Other Net	40	4	(9)	13
Total other income (expenses)		(937)	(1,001)	64
Income (loss) before income taxes		**1,890**	**2,106**	**(216)**
Provision for income taxes	41	615	807	192
Net income (loss)		**1,275**	**1,299**	**(24)**

Kentucky

Dec 2017 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES				
Water revenues	1	6,989	7,436	(447)
Sewer revenues	2	45	51	(7)
Other operating revenues	3	190	183	7
Operating revenues		**7,224**	**7,671**	**(447)**
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	4	23	15	(8)
Fuel and Power	5	340	326	(14)
Chemicals	6	90	141	51
Waste disposal	7	32	27	(5)
Total production costs		**485**	**509**	**25**
Salaries & Wages	8	499	582	84
Pensions	9	41	70	29
Group insurances	10	104	120	15
Other benefits	11	46	49	3
Total employee related		**690**	**821**	**131**
Service Company costs	12	**757**	**665**	**(92)**
Contracted services	13	51	57	6
Building maintenance and services	14	31	36	5
Telecommunication expenses	15	17	21	4
Office supplies & expenses	16	24	26	2
Employee related expense travel & entertainment	17	33	10	(23)
Miscellaneous expenses	18	522	79	(443)
Rents	19	0	1	1
Transportation	20	25	34	9
Other	21	5	3	(2)
Operating supplies & services		**707**	**266**	**(441)**
Uncollectible Accounts Exp	22	111	54	(57)
Customer accounting other	23	89	99	10
Regulatory expense	24	24	20	(4)
Insurance other than group	25	(62)	69	131
Maintenance service & supplies	26	355	172	(183)
Total operation and maintenance		**3,156**	**2,675**	**(481)**
Depreciation	27	1,154	1,148	(5)
Amortization	28	22	20	(2)
Removal costs	29	184	163	(21)
Depreciation and Amortization		**1,360**	**1,332**	**(28)**
General taxes	30	544	560	16
Loss (gain) on sale of assets	31	0	0	0
Impairment charges	32	0	0	0
Total operating expenses net		**5,059**	**4,566**	**(493)**
Operating income (loss)		**2,165**	**3,104**	**(940)**
OTHER INCOME (EXPENSES)				
Interest Income	33	(2)	0	2
Interest on long-term debt	34	1,029	1,049	20
Interest on Short-Term Bank Debt	35	0	15	15
Other Interest Expense	36	0	0	0
Interest net		**1,028**	**1,064**	**36**
Allowance for other funds used during construction	37	69	73	(4)
Allowance for borrowed funds used during construction	38	29	14	14
Amortization of debt expense	39	9	10	0
Other Net	40	(28)	(9)	(20)
Total other income (expenses)		(968)	(995)	27
Income (loss) before income taxes		**1,197**	**2,109**	**(912)**
Provision for income taxes	41	1,819	808	(1,011)
Net income (loss)		**(623)**	**1,301**	**(1,924)**

Kentucky

Jan 2018 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES				
Water revenues	1	7,549	7,354	195
Sewer revenues	2	50	50	0
Other operating revenues	3	203	228	(25)
Operating revenues		**7,802**	**7,632**	**170**
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	4	19	21	2
Fuel and Power	5	422	350	(71)
Chemicals	6	122	106	(15)
Waste disposal	7	39	27	(12)
Total production costs		**601**	**505**	**(96)**
Salaries & Wages	8	824	621	(203)
Pensions	9	35	49	14
Group insurances	10	149	134	(15)
Other benefits	11	44	57	13
Total employee related		**1,052**	**860**	**(192)**
Service Company costs	12	**907**	**770**	**(136)**
Contracted services	13	93	51	(42)
Building maintenance and services	14	75	51	(23)
Telecommunication expenses	15	25	19	(6)
Office supplies & expenses	16	20	22	2
Employee related expense travel & entertainment	17	5	10	5
Miscellaneous expenses	18	(68)	110	179
Rents	19	1	1	1
Transportation	20	37	52	16
Other	21	2	3	1
Operating supplies & services		**189**	**321**	**132**
Uncollectible Accounts Exp	22	94	53	(41)
Customer accounting other	23	88	92	4
Regulatory expense	24	24	24	0
Insurance other than group	25	54	63	9
Maintenance service & supplies	26	160	175	15
Total operation and maintenance		**3,169**	**2,864**	**(306)**
Depreciation	27	1,159	1,172	13
Amortization	28	22	24	2
Removal costs	29	185	189	4
Depreciation and Amortization		**1,367**	**1,385**	**18**
General taxes	30	561	556	(5)
Loss (gain) on sale of assets	31	0	0	0
Impairment charges	32	0	0	0
Total operating expenses net		**5,097**	**4,805**	**(292)**
Operating income (loss)		**2,705**	**2,827**	**(122)**
OTHER INCOME (EXPENSES)				
Interest Income	33	0	0	0
Interest on long-term debt	34	1,029	1,031	2
Interest on Short-Term Bank Debt	35	13	17	4
Other Interest Expense	36	0	0	0
Interest net		**1,042**	**1,048**	**6**
Allowance for other funds used during construction	37	53	23	30
Allowance for borrowed funds used during construction	38	26	11	15
Amortization of debt expense	39	9	9	(0)
Other Net	40	6	(7)	14
Total other income (expenses)		(966)	(1,031)	65
Income (loss) before income taxes		**1,739**	**1,796**	**(57)**
Provision for income taxes	41	435	698	263
Net income (loss)		**1,304**	**1,098**	**206**

Kentucky

Feb 2018 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES				
Water revenues	1	7,260	7,317	(57)
Sewer revenues	2	49	50	(1)
Other operating revenues	3	201	210	(9)
Operating revenues		**7,511**	**7,577**	**(67)**
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	4	25	21	(4)
Fuel and Power	5	337	356	19
Chemicals	6	115	111	(4)
Waste disposal	7	36	26	(11)
Total production costs		**513**	**513**	**0**
Salaries & Wages	8	477	538	61
Pensions	9	41	49	8
Group insurances	10	126	134	8
Other benefits	11	39	39	(1)
Total employee related		**684**	**760**	**76**
Service Company costs	12	**777**	**691**	**(85)**
Contracted services	13	94	53	(41)
Building maintenance and services	14	75	52	(23)
Telecommunication expenses	15	34	18	(16)
Office supplies & expenses	16	27	26	(1)
Employee related expense travel & entertainment	17	13	14	0
Miscellaneous expenses	18	(50)	77	127
Rents	19	0	0	0
Transportation	20	45	10	(35)
Other	21	2	2	(0)
Operating supplies & services		**240**	**252**	**12**
Uncollectible Accounts Exp	22	10	12	2
Customer accounting other	23	89	96	6
Regulatory expense	24	24	24	0
Insurance other than group	25	56	63	7
Maintenance service & supplies	26	143	157	14
Total operation and maintenance		**2,536**	**2,569**	**33**
Depreciation	27	1,160	1,173	13
Amortization	28	22	24	1
Removal costs	29	186	189	4
Depreciation and Amortization		**1,368**	**1,387**	**18**
General taxes	30	585	543	(43)
Loss (gain) on sale of assets	31	0	0	0
Impairment charges	32	0	0	0
Total operating expenses net		**4,490**	**4,498**	**8**
Operating income (loss)		**3,021**	**3,079**	**(58)**
OTHER INCOME (EXPENSES)				
Interest Income	33	0	0	0
Interest on long-term debt	34	1,029	1,031	3
Interest on Short-Term Bank Debt	35	8	12	4
Other Interest Expense	36	0	0	0
Interest net		**1,037**	**1,043**	**7**
Allowance for other funds used during construction	37	54	32	22
Allowance for borrowed funds used during construction	38	27	14	13
Amortization of debt expense	39	9	9	0
Other Net	40	11	(7)	18
Total other income (expenses)		(954)	(1,014)	60
Income (loss) before income taxes		**2,067**	**2,066**	**2**
Provision for income taxes	41	512	803	291
Net income (loss)		**1,555**	**1,263**	**292**
		25%	39%	
Net Income as is vs plan at old rate		1,550	1,263	287
		25%	39%	
Net Income at new rate vs plan at new rate		1,550	1,549	1
		25%	25%	
Rev Adj (pretax)		(381)		
Net Income w/Rev Adj at new rate vs real plan		1,265	1,263	2

Kentucky

Mar 2018 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES				
Water revenues	1	7,447	7,317	131
Sewer revenues	2	41	50	(9)
Other operating revenues	3	206	220	(14)
Operating revenues		**7,695**	**7,587**	**107**
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	4	21	21	0
Fuel and Power	5	350	357	7
Chemicals	6	133	112	(21)
Waste disposal	7	35	25	(10)
Total production costs		**538**	**514**	**(24)**
Salaries & Wages	8	513	599	85
Pensions	9	34	49	15
Group insurances	10	126	134	8
Other benefits	11	64	48	(16)
Total employee related		**738**	**830**	**92**
Service Company costs	12	**901**	**853**	**(48)**
Contracted services	13	111	56	(55)
Building maintenance and services	14	59	56	(3)
Telecommunication expenses	15	23	19	(4)
Office supplies & expenses	16	22	26	4
Employee related expense travel & entertainment	17	11	10	(1)
Miscellaneous expenses	18	(69)	56	125
Rents	19	1	0	(0)
Transportation	20	51	30	(21)
Other	21	2	3	0
Operating supplies & services		**212**	**256**	**45**
Uncollectible Accounts Exp	22	78	53	(26)
Customer accounting other	23	90	90	0
Regulatory expense	24	24	24	0
Insurance other than group	25	54	63	9
Maintenance service & supplies	26	160	160	(1)
Total operation and maintenance		**2,796**	**2,844**	**48**
Depreciation	27	1,162	1,175	12
Amortization	28	22	24	2
Removal costs	29	186	189	4
Depreciation and Amortization		**1,370**	**1,388**	**17**
General taxes	30	1,274	540	(735)
Loss (gain) on sale of assets	31	79	0	(79)
Impairment charges	32	0	0	0
Total operating expenses net		**5,520**	**4,771**	**(749)**
Operating income (loss)		**2,174**	**2,816**	**(642)**
OTHER INCOME (EXPENSES)				
Interest Income	33	0	0	0
Interest on long-term debt	34	1,030	1,031	1
Interest on Short-Term Bank Debt	35	12	16	4
Other Interest Expense	36	0	0	0
Interest net		**1,042**	**1,047**	**5**
Allowance for other funds used during construction	37	59	42	18
Allowance for borrowed funds used during construction	38	30	18	12
Amortization of debt expense	39	10	9	(0)
Other Net	40	(48)	(7)	(41)
Total other income (expenses)		(952)	(1,004)	51
Income (loss) before income taxes		**1,222**	**1,812**	**(591)**
Rev Adj (pretax)		(388)		
Provision for income taxes	41	329	704	376
Net Income w/Rev Adj at new rate vs real plan		**626**	**1,108**	**(482)**

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES				
Water revenues	1	5,898	7,519	(1,621)
Sewer revenues	2	39	50	(11)
Other operating revenues	3	203	192	11
Operating revenues		**6,140**	**7,762**	**(1,622)**
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	4	25	21	(4)
Fuel and Power	5	321	335	14
Chemicals	6	181	106	(75)
Waste disposal	7	33	27	(6)
Total production costs		**560**	**489**	**(71)**
Salaries & Wages	8	613	572	(41)
Pensions	9	34	49	14
Group insurances	10	133	132	(1)
Other benefits	11	46	49	3
Total employee related		**827**	**802**	**(25)**
Service Company costs	12	**695**	**747**	**52**
Contracted services	13	94	56	(38)
Building maintenance and services	14	63	45	(18)
Telecommunication expenses	15	15	18	4
Office supplies & expenses	16	19	25	6
Employee related expense travel & entertainment	17	21	12	(9)
Miscellaneous expenses	18	56	42	(13)
Rents	19	11	1	(10)
Transportation	20	26	28	2
Other	21	2	4	2
Operating supplies & services		**307**	**230**	**(77)**
Uncollectible Accounts Exp	22	53	54	1
Customer accounting other	23	99	94	(4)
Regulatory expense	24	24	24	0
Insurance other than group	25	55	63	8
Maintenance service & supplies	26	159	156	(2)
Total operation and maintenance		**2,778**	**2,659**	**(119)**
Depreciation	27	1,162	1,176	13
Amortization	28	22	24	2
Removal costs	29	186	190	4
Depreciation and Amortization		**1,371**	**1,389**	**19**
General taxes	30	589	538	(51)
Loss (gain) on sale of assets	31	0	0	0
Impairment charges	32	0	0	0
Total operating expenses net		**4,738**	**4,586**	**(152)**
Operating income (loss)		**1,402**	**3,175**	**(1,773)**
OTHER INCOME (EXPENSES)				
Interest Income	33	0	0	0
Interest on long-term debt	34	1,029	1,031	2
Interest on Short-Term Bank Debt	35	18	18	0
Other Interest Expense	36	0	0	0
Interest net		**1,047**	**1,049**	**2**
Nonoperating benefit costs, net	37	(19)	0	19
Allowance for other funds used during construction	38	66	50	16
Allowance for borrowed funds used during construction	39	33	22	11
Amortization of debt expense	40	11	9	(2)
Other Net	41	(1)	(7)	6
Total other income (expenses)		(941)	(994)	53
Income (loss) before income taxes		**461**	**2,181**	**(1,720)**
Provision for income taxes	42	110	848	738
Net Income		**351**	**1,334**	**(982)**
Normalized April Net Income		$ 1,102	$ 1,334	$ (232)

Kentucky
May 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES			
Water revenues	7,961	8,144	(183)
Sewer revenues	40	50	(10)
Other operating revenues	216	237	(21)
Operating revenues	**8,217**	**8,431**	**(214)**
OPERATIONS & MAINTENANCE EXPENSE			
Purchased water	27	21	(6)
Fuel and Power	350	386	36
Chemicals	144	159	16
Waste disposal	38	27	(12)
Total production costs	**558**	**593**	**35**
Salaries & Wages	671	626	(45)
Pensions	32	49	17
Group insurances	136	132	(4)
Other benefits	51	46	(5)
Total employee related	**890**	**852**	**(37)**
Service Company costs	**746**	**776**	**30**
Contracted services	99	53	(46)
Building maintenance and services	71	45	(26)
Telecommunication expenses	24	20	(5)
Office supplies & expenses	17	25	9
Employee related expense travel & entertain	2	7	5
Miscellaneous expenses	68	56	(12)
Rents	1	1	0
Transportation	25	27	2
Other	3	2	(0)
Operating supplies & services	**309**	**236**	**(73)**
Uncollectible Accounts Exp	47	56	9
Customer accounting other	107	92	(14)
Regulatory expense	24	24	0
Insurance other than group	54	63	9
Maintenance service & supplies	166	155	(11)
Total operation and maintenance	**2,900**	**2,848**	**(52)**
Depreciation	1,168	1,178	10
Amortization	22	24	2
Removal costs	187	190	3
Depreciation and Amortization	**1,378**	**1,392**	**14**
General taxes	474	544	70
Loss (gain) on sale of assets	0	0	0
Impairment charges	0	0	0
Total operating expenses net	**4,752**	**4,784**	**32**
Operating income (loss)	**3,465**	**3,647**	**(182)**
OTHER INCOME (EXPENSES)			
Interest Income	0	0	0
Interest on long-term debt	1,029	1,031	2
Interest on Short-Term Bank Debt	25	14	(12)
Other Interest Expense	0	0	0
Interest net	**1,055**	**1,045**	**(10)**
Nonoperating benefit costs, net	2	0	(2)
Allowance for other funds used during constr	62	58	5
Allowance for borrowed funds used during cc	31	25	6
Amortization of debt expense	10	9	(1)
Other Net	4	(7)	11
Total other income (expenses)	(970)	(979)	9
Income (loss) before income taxes	**2,495**	**2,668**	**(173)**
Provision for income taxes	635	1,037	402
Net Income	**1,860**	**1,632**	**228**

Kentucky

Jun 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES			
Water revenues	7,673	8,551	(878)
Sewer revenues	47	50	(3)
Other operating revenues	226	243	(17)
Operating revenues	**7,946**	**8,844**	**(898)**
OPERATIONS & MAINTENANCE EXPENSE			
Purchased water	39	21	(18)
Fuel and Power	364	401	37
Chemicals	175	172	(3)
Waste disposal	38	27	(11)
Total production costs	**616**	**621**	**5**
Salaries & Wages	573	571	(2)
Pensions	31	49	18
Group insurances	115	132	17
Other benefits	43	47	5
Total employee related	**762**	**799**	**37**
Service Company costs	**823**	**843**	**21**
Contracted services	113	58	(55)
Building maintenance and services	58	61	4
Telecommunication expenses	19	23	4
Office supplies & expenses	27	28	1
Employee related expense travel & entertainn	38	10	(28)
Miscellaneous expenses	53	60	8
Rents	0	3	3
Transportation	25	30	5
Other	4	2	(2)
Operating supplies & services	**337**	**275**	**(62)**
Uncollectible Accounts Exp	188	39	(149)
Customer accounting other	97	94	(3)
Regulatory expense	24	24	0
Insurance other than group	54	63	9
Maintenance service & supplies	215	165	(49)
Total operation and maintenance	**3,115**	**2,924**	**(192)**
Depreciation	1,174	1,185	10
Amortization	22	24	2
Removal costs	189	191	2
Depreciation and Amortization	**1,385**	**1,400**	**14**
General taxes	561	538	(23)
Loss (gain) on sale of assets	0	0	0
Impairment charges	0	0	0
Total operating expenses net	**5,061**	**4,861**	**(200)**
Operating income (loss)	**2,884**	**3,983**	**(1,099)**
OTHER INCOME (EXPENSES)			
Interest Income	0	0	0
Interest on long-term debt	1,029	1,031	2
Interest on Short-Term Bank Debt	27	21	(6)
Other Interest Expense	0	0	0
Interest net	**1,057**	**1,053**	**(4)**
Nonoperating benefit costs, net	(15)	0	15
Allowance for other funds used during constru	63	68	(5)
Allowance for borrowed funds used during coi	32	29	2
Amortization of debt expense	10	9	(1)
Other Net	(20)	(12)	(8)
Total other income (expenses)	(978)	(977)	(1)
Income (loss) before income taxes	**1,906**	**3,006**	**(1,100)**
Provision for income taxes	405	1,168	763
Net Income	**1,501**	**1,838**	**(337)**

Kentucky

Jul 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES			
Water revenues	8,399	8,832	(433)
Sewer revenues	44	50	(6)
Other operating revenues	250	224	26
Operating revenues	**8,693**	**9,106**	**(412)**
OPERATIONS & MAINTENANCE EXPENSE			
Purchased water	31	21	(10)
Fuel and Power	353	371	18
Chemicals	202	200	(2)
Waste disposal	39	27	(11)
Total production costs	**626**	**620**	**(6)**
Salaries & Wages	616	596	(20)
Pensions	32	49	16
Group insurances	127	132	5
Other benefits	53	43	(11)
Total employee related	**829**	**820**	**(9)**
Service Company costs	**765**	**754**	**(12)**
Contracted services	69	49	(20)
Building maintenance and services	58	47	(11)
Telecommunication expenses	18	19	1
Office supplies & expenses	19	25	7
Employee related expense travel & entertainr	39	12	(27)
Miscellaneous expenses	93	61	(32)
Rents	2	(1)	(3)
Transportation	33	30	(3)
Other	3	3	(0)
Operating supplies & services	**333**	**246**	**(88)**
Uncollectible Accounts Exp	63	62	(1)
Customer accounting other	104	92	(12)
Regulatory expense	24	24	0
Insurance other than group	54	63	9
Maintenance service & supplies	153	155	2
Total operation and maintenance	**2,951**	**2,835**	**(116)**
Depreciation	1,172	1,187	15
Amortization	22	24	2
Removal costs	187	191	4
Depreciation and Amortization	**1,382**	**1,403**	**21**
General taxes	563	541	(22)
Loss (gain) on sale of assets	0	0	0
Impairment charges	0	0	0
Total operating expenses net	**4,896**	**4,779**	**(117)**
Operating income (loss)	**3,798**	**4,327**	**(529)**
OTHER INCOME (EXPENSES)			
Interest Income	0	0	0
Interest on long-term debt	1,029	1,031	2
Interest on Short-Term Bank Debt	21	17	(4)
Other Interest Expense	0	0	0
Interest net	**1,051**	**1,048**	**(3)**
Nonoperating benefit costs, net	(15)	0	15
Allowance for other funds used during constr	67	75	(8)
Allowance for borrowed funds used during co	34	32	2
Amortization of debt expense	10	9	(1)
Other Net	5	(12)	17
Total other income (expenses)	(940)	(962)	22
Income (loss) before income taxes	**2,857**	**3,365**	**(507)**
Provision for income taxes	689	1,307	619
Net Income	**2,169**	**2,057**	**111**

Kentucky

Aug 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES			
Water revenues	8,409	8,916	(507)
Sewer revenues	51	50	1
Other operating revenues	227	233	(6)
Operating revenues	**8,687**	**9,199**	**(512)**
OPERATIONS & MAINTENANCE EXPENSE			
Purchased water	34	15	(19)
Fuel and Power	294	429	135
Chemicals	190	207	16
Waste disposal	37	31	(5)
Total production costs	**555**	**682**	**127**
Salaries & Wages	666	623	(43)
Pensions	29	49	19
Group insurances	130	132	2
Other benefits	51	47	(4)
Total employee related	**877**	**851**	**(25)**
Service Company costs	**697**	**768**	**71**
Contracted services	111	58	(52)
Building maintenance and services	80	49	(31)
Telecommunication expenses	27	19	(8)
Office supplies & expenses	24	27	3
Employee related expense travel & entertainr	(49)	11	59
Miscellaneous expenses	89	43	(46)
Rents	1	0	(1)
Transportation	46	28	(19)
Other	4	5	1
Operating supplies & services	**333**	**241**	**(92)**
Uncollectible Accounts Exp	97	25	(73)
Customer accounting other	109	91	(17)
Regulatory expense	24	24	0
Insurance other than group	53	63	10
Maintenance service & supplies	152	156	4
Total operation and maintenance	**2,895**	**2,901**	**5**
Depreciation	1,191	1,193	2
Amortization	22	24	2
Removal costs	188	192	5
Depreciation and Amortization	**1,401**	**1,410**	**9**
General taxes	567	543	(24)
Loss (gain) on sale of assets	0	0	0
Impairment charges	0	0	0
Total operating expenses net	**4,863**	**4,853**	**(10)**
Operating income (loss)	**3,824**	**4,346**	**(522)**
OTHER INCOME (EXPENSES)			
Interest Income	0	0	0
Interest on long-term debt	1,029	1,031	2
Interest on Short-Term Bank Debt	40	11	(29)
Other Interest Expense	0	0	0
Interest net	**1,070**	**1,043**	**(27)**
Nonoperating benefit costs, net	(15)	0	15
Allowance for other funds used during constr	67	74	(7)
Allowance for borrowed funds used during co	34	31	2
Amortization of debt expense	10	9	(1)
Other Net	(20)	(12)	(7)
Total other income (expenses)	(983)	(958)	(25)
Income (loss) before income taxes	**2,840**	**3,388**	**(547)**
Provision for income taxes	699	1,316	618
Net Income	**2,142**	**2,071**	**70**
	25%	39%	

Kentucky

Sep 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES			
Water revenues	8,019	8,968	(949)
Sewer revenues	45	50	(5)
Other operating revenues	250	220	30
Operating revenues	**8,314**	**9,238**	**(924)**
OPERATIONS & MAINTENANCE EXPENSE			
Purchased water	35	15	(20)
Fuel and Power	284	421	136
Chemicals	228	193	(35)
Waste disposal	40	33	(7)
Total production costs	**588**	**661**	**74**
Salaries & Wages	554	575	21
Pensions	30	49	19
Group insurances	94	132	39
Other benefits	35	44	8
Total employee related	**713**	**799**	**87**
Service Company costs	**947**	**821**	**(127)**
Contracted services	104	63	(41)
Building maintenance and services	33	51	18
Telecommunication expenses	24	32	8
Office supplies & expenses	28	25	(2)
Employee related expense travel & entertain	29	13	(16)
Miscellaneous expenses	61	63	2
Rents	5	1	(3)
Transportation	52	28	(24)
Other	4	2	(2)
Operating supplies & services	**339**	**278**	**(61)**
Uncollectible Accounts Exp	102	68	(34)
Customer accounting other	106	96	(11)
Regulatory expense	24	24	0
Insurance other than group	57	63	6
Maintenance service & supplies	139	167	28
Total operation and maintenance	**3,015**	**2,976**	**(38)**
Depreciation	1,197	1,205	8
Amortization	22	24	2
Removal costs	188	193	4
Depreciation and Amortization	**1,408**	**1,421**	**14**
General taxes	559	541	(19)
Loss (gain) on sale of assets	0	0	0
Impairment charges	0	0	0
Total operating expenses net	**4,982**	**4,939**	**(43)**
Operating income (loss)	**3,332**	**4,300**	**(967)**
OTHER INCOME (EXPENSES)			
Interest Income	0	0	0
Interest on long-term debt	1,029	1,031	2
Interest on Short-Term Bank Debt	25	20	(5)
Other Interest Expense	0	0	0
Interest net	**1,055**	**1,051**	**(3)**
Nonoperating benefit costs, net	(91)	0	91
Allowance for other funds used during constr	68	71	(4)
Allowance for borrowed funds used during cc	34	30	3
Amortization of debt expense	10	9	(1)
Other Net	34	(12)	47
Total other income (expenses)	(838)	(971)	133
Income (loss) before income taxes	**2,494**	**3,329**	**(835)**
Provision for income taxes	640	1,293	654
Net Income	**1,855**	**2,036**	**(181)**
	26%	39%	

Kentucky

Oct 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)
OPERATING REVENUES			
Water revenues	7,445	8,634	(1,189)
Sewer revenues	32	50	(18)
Other operating revenues	215	202	13
Operating revenues	**7,692**	**8,887**	**(1,195)**
OPERATIONS & MAINTENANCE EXPENSE			
Purchased water	34	15	(19)
Fuel and Power	294	341	47
Chemicals	141	168	27
Waste disposal	36	32	(4)
Total production costs	**506**	**557**	**51**
Salaries & Wages	668	643	(24)
Pensions	28	49	20
Group insurances	115	132	17
Other benefits	47	46	(1)
Total employee related	**858**	**870**	**12**
Service Company costs	**818**	**766**	**(52)**
Contracted services	56	74	17
Building maintenance and services	77	47	(30)
Telecommunication expenses	20	17	(3)
Office supplies & expenses	32	27	(5)
Employee related expense travel & entertain	(0)	10	10
Miscellaneous expenses	68	73	5
Rents	2	0	(2)
Transportation	36	36	0
Other	0	2	2
Operating supplies & services	**293**	**288**	**(5)**
Uncollectible Accounts Exp	28	66	37
Customer accounting other	123	92	(31)
Regulatory expense	24	24	0
Insurance other than group	53	63	10
Maintenance service & supplies	203	184	(19)
Total operation and maintenance	**2,907**	**2,909**	**2**
Depreciation	1,217	1,222	5
Amortization	22	24	2
Removal costs	192	194	3
Depreciation and Amortization	**1,431**	**1,440**	**9**
General taxes	596	547	(49)
Loss (gain) on sale of assets	(2,058)	(1,210)	848
Impairment charges	0	0	0
Total operating expenses net	**2,875**	**3,686**	**811**
Operating income (loss)	**4,817**	**5,201**	**(384)**
OTHER INCOME (EXPENSES)			
Interest Income	0	0	0
Interest on long-term debt	1,029	1,031	2
Interest on Short-Term Bank Debt	27	20	(7)
Other Interest Expense	1	0	(1)
Interest net	**1,058**	**1,052**	**(6)**
Nonoperating benefit costs, net	(91)	0	91
Allowance for other funds used during constr	69	63	6
Allowance for borrowed funds used during cc	35	27	8
Amortization of debt expense	10	9	(1)
Other Net	(5)	(7)	3
Total other income (expenses)	(878)	(979)	101
Income (loss) before income taxes	**3,938**	**4,222**	**(283)**
Provision for income taxes	976	1,640	664
Net Income	**2,963**	**2,582**	**381**
	25%	39%	

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 31

Description of Filing Requirement:

Monthly Budget Variance Reports for 12 Months Pre-Base Period, with narrative, and as available, for Base Period and Subsequent Months

Response:

Please see attached documents monthly budget variance reports for period March 2017 through October 2018.

For the electronic version, see KAW_APP_EX31_112818.pdf.

$ in '000s		2 MTD Actuals	3 MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	7,331	7,324	7	
Sewer revenues	2	38	46	(8)	
Other operating revenues	3	216	186	30	
Operating revenues		**7,586**	**7,556**	**30**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	25	16	(10)	
Fuel and Power	5	354	299	(55)	Higher system delivery & transfer pump use (poor WQ)
Chemicals	6	103	117	14	
Waste disposal	7	25	26	1	
Total production costs		**508**	**458**	**(50)**	
Salaries & Wages	8	560	615	55	
Pensions	9	56	70	14	
Group insurances	10	131	120	(11)	
Other benefits	11	51	51	(0)	
Total employee related		**798**	**856**	**58**	
Service Company costs	12	**760**	**720**	**(40)**	
Contracted services	13	71	64	(7)	
Building maintenance and services	14	64	49	(15)	
Telecommunication expenses	15	24	20	(3)	
Office supplies & expenses	16	24	26	2	
Employee related expense travel & entertainment	17	19	9	(9)	
Miscellaneous expenses	18	100	63	(37)	Timing
Rents	19	1	4	3	
Transportation	20	37	34	(3)	
Other	21	3	3	(0)	
Operating supplies & services		**342**	**272**	**(70)**	
Uncollectible Accounts Exp	22	37	60	23	Plan .74%
Customer accounting other	23	91	99	7	
Regulatory expense	24	24	20	(4)	
Insurance other than group	25	49	69	21	
Maintenance service & supplies	26	105	185	79	Timing
Total operation and maintenance		**2,714**	**2,739**	**25**	
Depreciation	27	1,128	1,114	(15)	Filter Building depr greater than composite rate used in plan
Amortization	28	22	20	(2)	
Removal costs	29	182	161	(21)	Under investigation - likely rate case related
Depreciation and Amortization		**1,332**	**1,295**	**(37)**	
General taxes	30	523	546	23	Lower than planned accrual
Loss (gain) on sale of assets	31	0	0	0	
Impairment charges	32	0	0	0	
Total operating expenses net		**4,569**	**4,579**	**10**	
Operating income (loss)		**3,018**	**2,977**	**40**	
OTHER INCOME (EXPENSES)					
Interest Income	33	0	0	0	
Interest on long-term debt	34	1,016	1,012	(4)	
Interest on Short-Term Bank Debt	35	18	8	(11)	
Other Interest Expense	36	0	0	0	
Interest net		**1,034**	**1,020**	**(14)**	
Allowance for other funds used during construction	37	48	26	22	
Allowance for borrowed funds used during construction	38	20	11	8	
Amortization of debt expense	39	10	9	(1)	
Other Net	40	2	(9)	11	
Total other income (expenses)		(974)	(1,001)	27	
Income (loss) before income taxes		**2,044**	**1,977**	**67**	
Provision for income taxes	41	875	757	(119)	
Net income (loss)		**1,169**	**1,220**	**(52)**	

Kentucky

Apr 2017 MTD Income Statement

$ in '000s		2 MTD Actuals	3 MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	7,551	7,666	(115)	
Sewer revenues	2	44	41	3	
Other operating revenues	3	186	189	(3)	
Operating revenues		**7,781**	**7,895**	**(115)**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	31	15	(16)	
Fuel and Power	5	366	351	(15)	
Chemicals	6	187	122	(65)	
Waste disposal	7	24	25	1	
Total production costs		**609**	**514**	**(95)**	
Salaries & Wages	8	537	548	12	
Pensions	9	60	70	10	
Group insurances	10	119	120	1	
Other benefits	11	40	33	(6)	
Total employee related		**755**	**771**	**16**	
Service Company costs	12	**652**	**677**	**25**	Tax error offset in Income tax line below $
Contracted services	13	62	64	1	
Building maintenance and services	14	75	51	(24)	
Telecommunication expenses	15	19	21	1	
Office supplies & expenses	16	16	26	10	
Employee related expense travel & entertainment	17	13	17	4	
Miscellaneous expenses	18	87	106	18	
Rents	19	7	1	(6)	
Transportation	20	29	34	5	
Other	21	3	3	0	
Operating supplies & services		**313**	**322**	**9**	
Uncollectible Accounts Exp	22	85	42	(43)	
Customer accounting other	23	85	94	8	
Regulatory expense	24	24	20	(4)	
Insurance other than group	25	54	69	15	
Maintenance service & supplies	26	133	178	45	
Total operation and maintenance		**2,710**	**2,687**	**(23)**	
Depreciation	27	1,131	1,114	(17)	Filter Building depr greater than composite rate used in plan
Amortization	28	22	20	(2)	
Removal costs	29	182	161	(22)	Rate Case COR change
Depreciation and Amortization		**1,335**	**1,295**	**(40)**	
General taxes	30	526	539	13	Lower than planned accrual
Loss (gain) on sale of assets	31	0	0	0	
Impairment charges	32	0	0	0	
Total operating expenses net		**4,571**	**4,522**	**(50)**	
Operating income (loss)		**3,209**	**3,373**	**(164)**	
OTHER INCOME (EXPENSES)					
Interest Income	33	0	0	0	
Interest on long-term debt	34	1,014	1,012	(1)	
Interest on Short-Term Bank Debt	35	20	6	(14)	
Other Interest Expense	36	0	0	0	
Interest net		**1,034**	**1,018**	**(16)**	
Allowance for other funds used during construction	37	54	27	28	
Allowance for borrowed funds used during construction	38	22	11	11	
Amortization of debt expense	39	9	9	(0)	
Other Net	40	3	(9)	11	
Total other income (expenses)		(964)	(998)	35	
Income (loss) before income taxes		**2,246**	**2,375**	**(130)**	
Provision for income taxes	41	803	912	108	Tax error offset in Service Company above $
Net income (loss)		**1,442**	**1,463**	**(21)**	

May 2017 MTD Income Statement

AMERICAN WATER

		MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	7,668	7,481	187	Favorable usage
Sewer revenues	2	42	44	(2)	
Other operating revenues	3	230	195	35	
Operating revenues		**7,939**	**7,719**	**221**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	22	15	(7)	
Fuel and Power	5	372	341	(31)	
Chemicals	6	180	115	(64)	Copper and Manganese control
Waste disposal	7	29	26	(2)	
Total production costs		**602**	**498**	**(105)**	
Salaries & Wages	8	620	624	4	
Pensions	9	58	70	12	
Group insurances	10	135	120	(16)	
Other benefits	11	51	40	(12)	
Total employee related		**864**	**853**	**(12)**	
Service Company costs	12	**751**	**722**	**(29)**	
Contracted services	13	67	66	(1)	
Building maintenance and services	14	51	50	(2)	
Telecommunication expenses	15	22	20	(1)	
Office supplies & expenses	16	18	25	7	
Employee related expense travel & entertainment	17	30	14	(17)	
Miscellaneous expenses	18	73	128	55	
Rents	19	3	1	(2)	
Transportation	20	36	34	(2)	
Other	21	3	3	(0)	
Operating supplies & services		**303**	**340**	**37**	
Uncollectible Accounts Exp	22	6	47	41	
Customer accounting other	23	114	99	(16)	
Regulatory expense	24	24	20	(4)	
Insurance other than group	25	54	69	16	
Maintenance service & supplies	26	198	177	(20)	
Total operation and maintenance		**2,917**	**2,825**	**(93)**	
Depreciation	27	1,136	1,115	(21)	Filter Building depr greater than composite rate used in plan
Amortization	28	22	20	(2)	
Removal costs	29	183	161	(22)	Rate Case COR change
Depreciation and Amortization		**1,341**	**1,296**	**(45)**	
General taxes	30	534	545	11	Lower than planned accrual
Loss (gain) on sale of assets	31	0	0	0	
Impairment charges	32	0	0	0	
Total operating expenses net		**4,791**	**4,666**	**(126)**	
Operating income (loss)		**3,148**	**3,053**	**95**	
OTHER INCOME (EXPENSES)					
Interest Income	33	0	0	0	
Interest on long-term debt	34	1,014	1,012	(1)	
Interest on Short-Term Bank Debt	35	20	6	(14)	
Other Interest Expense	36	0	0	0	
Interest net		**1,034**	**1,018**	**(16)**	
Allowance for other funds used during construction	37	59	29	30	
Allowance for borrowed funds used during construction	38	24	11	13	
Amortization of debt expense	39	9	9	(0)	
Other Net	40	7	(9)	16	
Total other income (expenses)		(953)	(996)	43	
Income (loss) before income taxes		**2,195**	**2,057**	**138**	
Provision for income taxes	41	852	788	(63)	
Net income (loss)		**1,343**	**1,269**	**74**	

Kentucky

Jun 2017 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	8,715	8,597	118	Usage - all classes
Sewer revenues	2	46	47	(0)	
Other operating revenues	3	236	206	30	
Operating revenues		**8,997**	**8,849**	**148**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	19	15	(3)	
Fuel and Power	5	346	405	59	Profiling
Chemicals	6	158	182	25	Profiling
Waste disposal	7	27	27	(0)	
Total production costs		**550**	**630**	**80**	
Salaries & Wages	8	579	599	19	7% vacancy rate - HC 133 Act vs 143 Bud; Cap rate 28% vs plan 25%
Pensions	9	58	70	12	
Group insurances	10	151	120	(31)	
Other benefits	11	41	45	4	
Total employee related		**828**	**833**	**5**	
Service Company costs	12	**924**	**705**	**(219)**	KY portion - (1.0M) accrual of stock compensation, (0.4M) VEBA &
Contracted services	13	64	61	(3)	
Building maintenance and services	14	48	50	1	
Telecommunication expenses	15	18	21	3	
Office supplies & expenses	16	24	25	1	
Employee related expense travel & entertainment	17	47	12	(36)	Relo
Miscellaneous expenses	18	171	83	(88)	Inv Physical Write Off Scrap
Rents	19	0	1	0	
Transportation	20	41	34	(7)	
Other	21	3	3	0	
Operating supplies & services		**416**	**289**	**(127)**	
Uncollectible Accounts Exp	22	89	61	(28)	Profiling
Customer accounting other	23	99	94	(5)	
Regulatory expense	24	24	20	(4)	
Insurance other than group	25	54	69	16	
Maintenance service & supplies	26	149	168	20	
Total operation and maintenance		**3,133**	**2,870**	**(263)**	
Depreciation	27	1,139	1,117	(22)	Filter Building depr rate vs composite rate
Amortization	28	22	20	(2)	
Removal costs	29	183	161	(22)	Rate Case COR change
Depreciation and Amortization		**1,344**	**1,298**	**(46)**	
General taxes	30	518	543	25	Favorable Prop Tax Accrual
Loss (gain) on sale of assets	31	0	0	0	
Impairment charges	32	0	0	0	
Total operating expenses net		**4,994**	**4,711**	**(284)**	
Operating income (loss)		**4,003**	**4,139**	**(136)**	
OTHER INCOME (EXPENSES)					
Interest Income	33	0	0	0	
Interest on long-term debt	34	1,014	1,012	(1)	
Interest on Short-Term Bank Debt	35	16	8	(8)	
Other Interest Expense	36	0	0	0	
Interest net		**1,029**	**1,020**	**(9)**	
Allowance for other funds used during construction	37	56	34	22	Timing of projects
Allowance for borrowed funds used during construction	38	23	11	12	Timing of projects
Amortization of debt expense	39	9	9	(0)	
Other Net	40	(12)	(9)	(3)	
Total other income (expenses)		(971)	(993)	22	
Income (loss) before income taxes		**3,031**	**3,145**	**(114)**	
Provision for income taxes	41	1,174	1,211	37	
Net income (loss)		**1,857**	**1,934**	**(77)**	

Kentucky

Jul 2017 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	9,356	8,835	521	Usage - Primarily commercial, some OPA
Sewer revenues	2	45	43	2	
Other operating revenues	3	227	217	10	
Operating revenues		**9,628**	**9,095**	**533**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	23	16	(7)	
Fuel and Power	5	383	393	10	
Chemicals	6	187	204	16	
Waste disposal	7	226	27	(200)	KRS1 Lagoon Cleaning - proposing 1/2 should be sent to balance sheet - in discussions with Accounting
Total production costs		**820**	**640**	**(180)**	
Salaries & Wages	8	589	574	(16)	4.9% vacancy rate - HC 136 Act vs 143 Bud; MTD cap rate 23% vs plan 25%
Pensions	9	61	70	9	
Group insurances	10	109	120	11	
Other benefits	11	51	35	(16)	Training, Other
Total employee related		**810**	**798**	**(12)**	
Service Company costs	12	**642**	**681**	**39**	
Contracted services	13	85	69	(16)	Legal
Building maintenance and services	14	72	50	(22)	Groundskeeping and Sewer
Telecommunication expenses	15	29	20	(9)	Cell Phone Usage
Office supplies & expenses	16	25	25	1	
Employee related expense travel & entertainment	17	70	21	(49)	Relo
Miscellaneous expenses	18	72	72	(0)	
Rents	19	1	1	0	
Transportation	20	18	34	16	
Other	21	31	3	(28)	Postage for the QIP Filing Mailing
Operating supplies & services		**404**	**295**	**(108)**	
Uncollectible Accounts Exp	22	93	73	(20)	Under investigation; plan = .73%, 12mth roll = .81%, 6 mth roll = .65%, ytd = .50%
Customer accounting other	23	90	99	9	
Regulatory expense	24	24	20	(4)	
Insurance other than group	25	54	69	15	
Maintenance service & supplies	26	153	230	77	
Total operation and maintenance		**3,089**	**2,905**	**(184)**	
Depreciation	27	1,141	1,119	(22)	Filter Building depr rate vs composite rate
Amortization	28	22	20	(2)	
Removal costs	29	185	161	(24)	Rate Case COR change
Depreciation and Amortization		**1,348**	**1,301**	**(48)**	
General taxes	30	533	541	9	Favorable Prop Tax Accrual
Loss (gain) on sale of assets	31	0	0	0	
Impairment charges	32	0	0	0	
Total operating expenses net		**4,970**	**4,747**	**(223)**	
Operating income (loss)		**4,658**	**4,348**	**310**	
OTHER INCOME (EXPENSES)					
Interest Income	33	0	0	0	
Interest on long-term debt	34	1,014	1,030	17	
Interest on Short-Term Bank Debt	35	20	3	(17)	
Other Interest Expense	36	0	0	0	
Interest net		**1,034**	**1,034**	**(0)**	
Allowance for other funds used during construction	37	46	37	10	Timing of projects
Allowance for borrowed funds used during construction	38	19	11	8	Timing of projects
Amortization of debt expense	39	9	9	0	
Other Net	40	(3)	(9)	6	
Total other income (expenses)		(981)	(1,004)	23	
Income (loss) before income taxes		**3,677**	**3,344**	**333**	
Provision for income taxes	41	1,415	1,289	(126)	
Net income (loss)		**2,262**	**2,055**	**207**	

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Aug 2017 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	9,297	8,660	637	Sys del 7.2% over plan, all classes over budget but primarily driven by commercial
Sewer revenues	2	47	44	3	
Other operating revenues	3	281	226	54	Late Fees, Applic Fees, Reconn Fees
Operating revenues		**9,625**	**8,931**	**695**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	22	17	(5)	
Fuel and Power	5	376	431	55	
Chemicals	6	179	196	17	
Waste disposal	7	28	27	(1)	
Total production costs		**604**	**670**	**66**	
Salaries & Wages	8	621	624	3	5.6% vacancy rate - HC 135 Act vs 143 Bud; Cap rate plan 25%, MTD 24%, YTD 26%
Pensions	9	59	70	11	
Group insurances	10	136	120	(17)	
Other benefits	11	48	37	(12)	Training, Other
Total employee related		**865**	**850**	**(14)**	
Service Company costs	12	**802**	**707**	**(95)**	
Contracted services	13	97	67	(30)	Legal
Building maintenance and services	14	46	55	9	
Telecommunication expenses	15	21	23	2	
Office supplies & expenses	16	30	25	(4)	
Employee related expense travel & entertainment	17	34	13	(21)	Relo
Miscellaneous expenses	18	68	74	6	
Rents	19	1	1	(1)	
Transportation	20	35	34	(1)	
Other	21	21	3	(18)	Postage for the QIP Filing Mailing
Operating supplies & services		**353**	**294**	**(58)**	
Uncollectible Accounts Exp	22	60	59	(1)	plan = .73%, YTD roll = .52%
Customer accounting other	23	103	94	(9)	
Regulatory expense	24	24	20	(4)	
Insurance other than group	25	54	69	15	
Maintenance service & supplies	26	149	174	24	
Total operation and maintenance		**3,015**	**2,938**	**(76)**	
Depreciation	27	1,148	1,121	(27)	Filter Building depr rate vs composite rate
Amortization	28	22	20	(2)	
Removal costs	29	185	162	(24)	Rate Case COR change
Depreciation and Amortization		**1,355**	**1,303**	**(52)**	
General taxes	30	533	545	13	Favorable Prop Tax Accrual
Loss (gain) on sale of assets	31	0	(5,975)	(5,975)	Land Sale - moved to Sept
Impairment charges	32	0	0	0	
Total operating expenses net		**4,902**	**(1,188)**	**(6,091)**	
Operating income (loss)		**4,723**	**10,119**	**(5,396)**	
OTHER INCOME (EXPENSES)					
Interest Income	33	(108)	0	108	Offset in STD
Interest on long-term debt	34	1,013	1,049	36	
Interest on Short-Term Bank Debt	35	134	1	(133)	Offset in Interest Income
Other Interest Expense	36	0	0	0	
Interest net		**1,039**	**1,050**	**11**	
Allowance for other funds used during construction	37	55	45	10	Timing of projects
Allowance for borrowed funds used during construction	38	23	12	11	Timing of projects
Amortization of debt expense	39	9	10	1	
Other Net	40	(0)	(9)	9	
Total other income (expenses)		(971)	(1,011)	40	
Income (loss) before income taxes		**3,752**	**9,108**	**(5,356)**	
Provision for income taxes	41	1,449	3,566	2,117	
Net income (loss)		**2,302**	**5,541**	**(3,239)**	

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Sep 2017 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	8,294	8,753	(459)	Sales under budget due to cooler weather, residential $286K and OPA $153K
Sewer revenues	2	47	52	(5)	
Other operating revenues	3	228	214	14	
Operating revenues		**8,568**	**9,019**	**(450)**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	22	16	(5)	
Fuel and Power	5	328	419	91	
Chemicals	6	149	192	43	
Waste disposal	7	19	26	6	
Total production costs		**518**	**653**	**135**	Savings due to lower system delivery
Salaries & Wages	8	639	573	(65)	7% vacancy rate - HC 133 Act vs 143 Bud; Cap rate plan 25%, MTD 19%, YTD 25%
Pensions	9	65	70	5	
Group insurances	10	132	120	(13)	
Other benefits	11	41	49	9	
Total employee related		**877**	**812**	**(64)**	
Service Company costs	12	**819**	**673**	**(146)**	Regulated Reorg
Contracted services	13	95	66	(29)	Timing
Building maintenance and services	14	56	50	(6)	
Telecommunication expenses	15	19	20	1	
Office supplies & expenses	16	24	25	1	
Employee related expense travel & entertainment	17	(3)	12	16	
Miscellaneous expenses	18	64	64	(0)	
Rents	19	2	1	(1)	
Transportation	20	35	34	(1)	
Other	21	1	3	2	
Operating supplies & services		**292**	**275**	**(17)**	
Uncollectible Accounts Exp	22	97	85	(12)	plan = .73%, YTD roll = .60%
Customer accounting other	23	89	99	10	
Regulatory expense	24	24	20	(4)	
Insurance other than group	25	54	69	15	
Maintenance service & supplies	26	163	166	3	
Total operation and maintenance		**2,931**	**2,852**	**(79)**	
Depreciation	27	1,144	1,123	(21)	Filter Building depr rate vs composite rate
Amortization	28	22	20	(2)	
Removal costs	29	185	162	(24)	Rate Case COR change
Depreciation and Amortization		**1,351**	**1,305**	**(46)**	
General taxes	30	535	543	8	
Loss (gain) on sale of assets	31	(6,533)	0	6,533	Land Sale - budgeted in Aug
Impairment charges	32	0	0	0	
Total operating expenses net		**(1,716)**	**4,700**	**6,416**	
Operating income (loss)		**10,284**	**4,319**	**5,965**	
OTHER INCOME (EXPENSES)					
Interest Income	33	108	0	(108)	Offset in STD
Interest on long-term debt	34	1,023	1,048	25	
Interest on Short-Term Bank Debt	35	(105)	4	110	Offset in Interest Income
Other Interest Expense	36	0	0	0	
Interest net		**1,025**	**1,053**	**27**	
Allowance for other funds used during construction	37	35	54	(19)	Timing of projects
Allowance for borrowed funds used during construction	38	14	12	1	Timing of projects
Amortization of debt expense	39	9	10	0	
Other Net	40	4	(9)	13	
Total other income (expenses)		(982)	(1,005)	23	
Income (loss) before income taxes		**9,302**	**3,314**	**5,988**	
Provision for income taxes	41	3,602	1,277	(2,325)	
Net income (loss)		**5,701**	**2,037**	**3,664**	

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Oct 2017 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	8,428	8,633	(205)	Sales under budget primarily due to OPA and Commercial
Sewer revenues	2	44	48	(4)	
Other operating revenues	3	225	196	30	
Operating revenues		**8,697**	**8,877**	**(179)**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	23	15	(7)	
Fuel and Power	5	323	352	29	
Chemicals	6	148	167	19	
Waste disposal	7	35	26	(9)	
Total production costs		**528**	**561**	**32**	
Salaries & Wages	8	541	599	58	9% vacancy rate - HC 130 Act vs 143 Bud; Cap rate plan 25%, MTD 19%, YTD 25%
Pensions	9	63	70	7	
Group insurances	10	122	120	(3)	
Other benefits	11	43	38	(5)	
Total employee related		**769**	**826**	**57**	
Service Company costs	12	**763**	**692**	**(71)**	Regulated Reorg
Contracted services	13	86	71	(14)	
Building maintenance and services	14	76	44	(32)	Groundskeeping 16k, Extra Security 16k
Telecommunication expenses	15	20	20	(0)	
Office supplies & expenses	16	25	27	2	
Employee related expense travel & entertainment	17	77	14	(63)	Relocation 68k
Miscellaneous expenses	18	51	60	9	
Rents	19	1	1	0	
Transportation	20	50	34	(16)	
Other	21	3	3	0	
Operating supplies & services		**389**	**275**	**(114)**	
Uncollectible Accounts Exp	22	79	71	(7)	plan = .73%, YTD roll = .61%
Customer accounting other	23	95	94	(1)	
Regulatory expense	24	24	20	(4)	
Insurance other than group	25	54	69	15	
Maintenance service & supplies	26	160	160	(0)	
Total operation and maintenance		**2,861**	**2,769**	**(93)**	
Depreciation	27	1,151	1,127	(24)	Filter Building depr rate vs composite rate
Amortization	28	22	20	(2)	
Removal costs	29	183	162	(21)	Rate Case COR change
Depreciation and Amortization		**1,356**	**1,310**	**(47)**	
General taxes	30	539	543	4	
Loss (gain) on sale of assets	31	0	0	0	
Impairment charges	32	0	0	0	
Total operating expenses net		**4,757**	**4,621**	**(136)**	
Operating income (loss)		**3,941**	**4,256**	**(315)**	
OTHER INCOME (EXPENSES)					
Interest Income	33	0	0	0	
Interest on long-term debt	34	1,029	1,049	20	
Interest on Short-Term Bank Debt	35	1	7	6	
Other Interest Expense	36	0	0	(0)	
Interest net		**1,030**	**1,056**	**26**	
Allowance for other funds used during construction	37	66	49	17	
Allowance for borrowed funds used during construction	38	27	13	14	
Amortization of debt expense	39	9	10	0	
Other Net	40	7	(9)	16	
Total other income (expenses)		(939)	(1,013)	74	
Income (loss) before income taxes		**3,002**	**3,243**	**(241)**	
Provision for income taxes	41	1,162	1,250	88	
Net income (loss)		**1,840**	**1,993**	**(153)**	

Kentucky

Nov 2017 MTD Income Statement

$ in '000s		2 MTD Actuals	4 MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	7,324	7,491	(167)	Sales under budget primarily due to OPA (under investigation, and Residential (BD)
Sewer revenues	2	47	53	(6)	
Other operating revenues	3	201	182	19	
Operating revenues		**7,573**	**7,727**	**(154)**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	23	15	(7)	
Fuel and Power	5	287	333	46	
Chemicals	6	130	137	7	
Waste disposal	7	34	27	(7)	
Total production costs		**474**	**513**	**39**	
Salaries & Wages	8	586	608	22	9% vacancy rate - HC 130 Act vs 143 Bud; Cap rate plan 25%, MTD 26%, YTD 25%
Pensions	9	59	70	11	
Group insurances	10	124	120	(4)	
Other benefits	11	46	39	(7)	
Total employee related		**815**	**836**	**21**	
Service Company costs	12	**715**	**685**	**(30)**	Regulated Reorg
Contracted services	13	68	60	(8)	
Building maintenance and services	14	40	44	4	
Telecommunication expenses	15	20	20	1	
Office supplies & expenses	16	25	25	0	
Employee related expense travel & entertainment	17	15	8	(7)	
Miscellaneous expenses	18	152	78	(74)	Contribution of $ 62.5K to Low Income Pay Program
Rents	19	1	1	(0)	
Transportation	20	40	34	(6)	
Other	21	0	3	3	
Operating supplies & services		**360**	**273**	**(87)**	
Uncollectible Accounts Exp	22	59	60	0	plan = .73%, YTD roll = .63%
Customer accounting other	23	86	99	13	
Regulatory expense	24	24	20	(4)	
Insurance other than group	25	54	69	15	
Maintenance service & supplies	26	272	178	(93)	Misc Maintenance contracted services for WT and T&D
Total operation and maintenance		**2,859**	**2,733**	**(126)**	
Depreciation	27	1,152	1,143	(8)	Filter Building depr rate vs composite rate
Amortization	28	22	20	(2)	
Removal costs	29	183	163	(20)	Rate Case COR change
Depreciation and Amortization		**1,357**	**1,326**	**(30)**	
General taxes	30	530	560	30	
Loss (gain) on sale of assets	31	0	0	0	
Impairment charges	32	0	0	0	
Total operating expenses net		**4,746**	**4,620**	**(126)**	
Operating income (loss)		**2,826**	**3,107**	**(280)**	
OTHER INCOME (EXPENSES)					
Interest Income	33	(2)	0	2	
Interest on long-term debt	34	1,029	1,048	19	
Interest on Short-Term Bank Debt	35	0	9	9	
Other Interest Expense	36	0	0	0	
Interest net		**1,027**	**1,057**	**30**	
Allowance for other funds used during construction	37	68	61	6	
Allowance for borrowed funds used during construction	38	28	14	14	
Amortization of debt expense	39	9	10	0	
Other Net	40	4	(9)	13	
Total other income (expenses)		(937)	(1,001)	64	
Income (loss) before income taxes		**1,890**	**2,106**	**(216)**	
Provision for income taxes	41	615	807	192	
Net income (loss)		**1,275**	**1,299**	**(24)**	

$ in '000s		2 MTD Actuals	4 MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	6,989	7,436	(447)	$135k BD, $200k Res usage, $100 OPA usage
Sewer revenues	2	45	51	(7)	
Other operating revenues	3	190	183	7	
Operating revenues		**7,224**	**7,671**	**(447)**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	23	15	(8)	
Fuel and Power	5	340	326	(14)	
Chemicals	6	90	141	51	
Waste disposal	7	32	27	(5)	
Total production costs		**485**	**509**	**25**	
Salaries & Wages	8	499	582	84	8% vacancy rate - HC 131 Act vs 143 Bud; Cap rate MTD A= 48% P=25%.
Pensions	9	41	70	29	
Group insurances	10	104	120	15	
Other benefits	11	46	49	3	
Total employee related		**690**	**821**	**131**	
Service Company costs	12	**757**	**665**	**(92)**	Svc Company Taxes offset by other Service
Contracted services	13	51	57	6	
Building maintenance and services	14	31	36	5	
Telecommunication expenses	15	17	21	4	
Office supplies & expenses	16	24	26	2	
Employee related expense travel & entertainment	17	33	10	(23)	
Miscellaneous expenses	18	522	79	(443)	Svc Company Taxes Contribution of $ 62.5K to Low Income Pay Program
Rents	19	0	1	1	
Transportation	20	25	34	9	
Other	21	5	3	(2)	
Operating supplies & services		**707**	**266**	**(441)**	
Uncollectible Accounts Exp	22	111	54	(57)	plan = .73%, YTD roll = .69%
Customer accounting other	23	89	99	10	
Regulatory expense	24	24	20	(4)	
Insurance other than group	25	(62)	69	131	
Maintenance service & supplies	26	355	172	(183)	Misc Maintenance contracted services for WT and T&D
Total operation and maintenance		**3,156**	**2,675**	**(481)**	
Depreciation	27	1,154	1,148	(5)	Filter Building depr rate vs composite rate
Amortization	28	22	20	(2)	
Removal costs	29	184	163	(21)	Rate Case COR change
Depreciation and Amortization		**1,360**	**1,332**	**(28)**	
General taxes	30	544	560	16	
Loss (gain) on sale of assets	31	0	0	0	
Impairment charges	32	0	0	0	
Total operating expenses net		**5,059**	**4,566**	**(493)**	
Operating income (loss)		**2,165**	**3,104**	**(940)**	
OTHER INCOME (EXPENSES)					
Interest Income	33	(2)	0	2	
Interest on long-term debt	34	1,029	1,049	20	
Interest on Short-Term Bank Debt	35	0	15	15	
Other Interest Expense	36	0	0	0	
Interest net		**1,028**	**1,064**	**36**	
Allowance for other funds used during construction	37	69	73	(4)	
Allowance for borrowed funds used during construction	38	29	14	14	
Amortization of debt expense	39	9	10	0	
Other Net	40	(28)	(9)	(20)	
Total other income (expenses)		(968)	(995)	27	
Income (loss) before income taxes		**1,197**	**2,109**	**(912)**	
Provision for income taxes	41	1,819	808	(1,011)	Tax law estimates
Net income (loss)		**(623)**	**1,301**	**(1,924)**	

Kentucky

Jan 2018 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	7,549	7,354	195	Favorable due to increased usage due to weather and backbilling for Fed Med Center, UK, LFUCG.
Sewer revenues	2	50	50	0	
Other operating revenues	3	203	228	(25)	
Operating revenues		**7,802**	**7,632**	**170**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	19	21	2	
Fuel and Power	5	422	350	(71)	Unfavorable due to increased system delivery
Chemicals	6	122	106	(15)	
Waste disposal	7	39	27	(12)	
Total production costs		**601**	**505**	**(96)**	
Salaries & Wages	8	824	621	(203)	7.1% vacancy rate - HC 131 Act vs 138 Bud; Cap rate plan 24%, MTD 22.8%, YTD 22.8% - OT hrs - 2,368 Opex & 820 Capex
Pensions	9	35	49	14	
Group insurances	10	149	134	(15)	
Other benefits	11	44	57	13	
Total employee related		**1,052**	**860**	**(192)**	
Service Company costs	12	**907**	**770**	**(136)**	Reversal of December tax entries offset down in
Contracted services	13	93	51	(42)	Legal fees primarily due to Eastern Rockastle PSC proceedings
Building maintenance and services	14	75	51	(23)	Snow removal, heating and electric
Telecommunication expenses	15	25	19	(6)	
Office supplies & expenses	16	20	22	2	
Employee related expense travel & entertainment	17	5	10	5	
Miscellaneous expenses	18	(68)	110	179	Reversal of December tax entries offset up in Svc Co Fees
Rents	19	1	1	1	
Transportation	20	37	52	16	
Other	21	2	3	1	
Operating supplies & services		**189**	**321**	**132**	
Uncollectible Accounts Exp	22	94	53	(41)	plan = 0.59%, YTD roll = 0.61%
Customer accounting other	23	88	92	4	
Regulatory expense	24	24	24	0	
Insurance other than group	25	54	63	9	
Maintenance service & supplies	26	160	175	15	
Total operation and maintenance		**3,169**	**2,864**	**(306)**	
Depreciation	27	1,159	1,172	13	
Amortization	28	22	24	2	
Removal costs	29	185	189	4	
Depreciation and Amortization		**1,367**	**1,385**	**18**	
General taxes	30	561	556	(5)	
Loss (gain) on sale of assets	31	0	0	0	
Impairment charges	32	0	0	0	
Total operating expenses net		**5,097**	**4,805**	**(292)**	
Operating income (loss)		**2,705**	**2,827**	**(122)**	
OTHER INCOME (EXPENSES)					
Interest Income	33	0	0	0	
Interest on long-term debt	34	1,029	1,031	2	
Interest on Short-Term Bank Debt	35	13	17	4	
Other Interest Expense	36	0	0	0	
Interest net		**1,042**	**1,048**	**6**	
Allowance for other funds used during construction	37	53	23	30	
Allowance for borrowed funds used during construction	38	26	11	15	
Amortization of debt expense	39	9	9	(0)	
Other Net	40	6	(7)	14	
Total other income (expenses)		(966)	(1,031)	65	
Income (loss) before income taxes		**1,739**	**1,796**	**(57)**	
Provision for income taxes	41	435	698	263	
Net income (loss)		**1,304**	**1,098**	**206**	

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	7,260	7,317	(57)	
Sewer revenues	2	49	50	(1)	
Other operating revenues	3	201	210	(9)	
Operating revenues		**7,511**	**7,577**	**(67)**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	25	21	(4)	
Fuel and Power	5	337	356	19	
Chemicals	6	115	111	(4)	
Waste disposal	7	36	26	(11)	
Total production costs		**513**	**513**	**0**	
Salaries & Wages	8	477	538	61	5.7% vac rate.HC 131 v 138 Bud. Cap rate 22% v 25%. Opex OT Var $13k unfav
Pensions	9	41	49	8	
Group insurances	10	126	134	8	
Other benefits	11	39	39	(1)	
Total employee related		**684**	**760**	**76**	
Service Company costs	12	**777**	**691**	**(85)**	Reversal of December tax entries offset down in
Contracted services	13	94	53	(41)	Legal fees primarily due to Eastern Rockastle PSC proceedings
Building maintenance and services	14	75	52	(23)	Snow removal, heating and electric
Telecommunication expenses	15	34	18	(16)	
Office supplies & expenses	16	27	26	(1)	
Employee related expense travel & entertainment	17	13	14	0	
Miscellaneous expenses	18	(50)	77	127	Reversal of December tax entries offset up in Svc Co Fees
Rents	19	0	0	0	
Transportation	20	45	10	(35)	
Other	21	2	2	(0)	
Operating supplies & services		**240**	**252**	**12**	
Uncollectible Accounts Exp	22	10	12	2	plan = 0.59%, YTD roll = 0.61%
Customer accounting other	23	89	96	6	
Regulatory expense	24	24	24	0	
Insurance other than group	25	56	63	7	
Maintenance service & supplies	26	143	157	14	
Total operation and maintenance		**2,536**	**2,569**	**33**	
Depreciation	27	1,160	1,173	13	
Amortization	28	22	24	1	
Removal costs	29	186	189	4	
Depreciation and Amortization		**1,368**	**1,387**	**18**	
General taxes	30	585	543	(43)	
Loss (gain) on sale of assets	31	0	0	0	
Impairment charges	32	0	0	0	
Total operating expenses net		**4,490**	**4,498**	**8**	
Operating income (loss)		**3,021**	**3,079**	**(58)**	
OTHER INCOME (EXPENSES)					
Interest Income	33	0	0	0	
Interest on long-term debt	34	1,029	1,031	3	
Interest on Short-Term Bank Debt	35	8	12	4	
Other Interest Expense	36	0	0	0	
Interest net		**1,037**	**1,043**	**7**	
Allowance for other funds used during construction	37	54	32	22	
Allowance for borrowed funds used during construction	38	27	14	13	
Amortization of debt expense	39	9	9	0	
Other Net	40	11	(7)	18	
Total other income (expenses)		(954)	(1,014)	60	
Income (loss) before income taxes		**2,067**	**2,066**	**2**	
Provision for income taxes	41	512	803	291	
Net income (loss)		**1,555**	**1,263**	**292**	
		25%	39%		
Net Income as is vs plan at old rate		1,550	1,263	287	
		25%	39%		
Net Income at new rate vs plan at new rate		1,550	1,549	1	
		25%	25%		
Rev Adj (pretax)		(381)			
Net Income w/Rev Adj at new rate vs real plan		1,265	1,263	2	

Mar 2018 MTD Income Statement

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	7,447	7,317	131	Primarily Toyota backbill
Sewer revenues	2	41	50	(9)	
Other operating revenues	3	206	220	(14)	
Operating revenues		**7,695**	**7,587**	**107**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	21	21	0	
Fuel and Power	5	350	357	7	
Chemicals	6	133	112	(21)	Unfavorable KY River condition
Waste disposal	7	35	25	(10)	Profiling
Total production costs		**538**	**514**	**(24)**	
Salaries & Wages	8	513	599	85	5.7% vac rate.HC 133 v 138 Bud. Cap rate 29% v 25%. Opex OT Var $17k unfav ; PRIMARY DRIVER: 2017 AIP trueup $80k
Pensions	9	34	49	15	
Group insurances	10	126	134	8	
Other benefits	11	64	48	(16)	Training Exp
Total employee related		**738**	**830**	**92**	
Service Company costs	12	**901**	**853**	**(48)**	Dec 401k hit reclassed to here; offset in misc expense
Contracted services	13	111	56	(55)	Legal fees primarily due to Eastern Rockastle PSC proceedings
Building maintenance and services	14	59	56	(3)	
Telecommunication expenses	15	23	19	(4)	
Office supplies & expenses	16	22	26	4	
Employee related expense travel & entertainment	17	11	10	(1)	
Miscellaneous expenses	18	(69)	56	125	Partially offset in Service Co Costs, EA spending profile
Rents	19	1	0	(0)	
Transportation	20	51	30	(21)	Licenses
Other	21	2	3	0	
Operating supplies & services		**212**	**256**	**45**	
Uncollectible Accounts Exp	22	78	53	(26)	plan = 0.59%, YTD roll = 0.62%
Customer accounting other	23	90	90	0	
Regulatory expense	24	24	24	0	
Insurance other than group	25	54	63	9	
Maintenance service & supplies	26	160	160	(1)	
Total operation and maintenance		**2,796**	**2,844**	**48**	
Depreciation	27	1,162	1,175	12	
Amortization	28	22	24	2	
Removal costs	29	186	189	4	
Depreciation and Amortization		**1,370**	**1,388**	**17**	
General taxes	30	1,274	540	(735)	Property Tax True up
Loss (gain) on sale of assets	31	79	0	(79)	Loss on ERWA purchase
Impairment charges	32	0	0	0	
Total operating expenses net		**5,520**	**4,771**	**(749)**	
Operating income (loss)		**2,174**	**2,816**	**(642)**	
OTHER INCOME (EXPENSES)					
Interest Income	33	0	0	0	
Interest on long-term debt	34	1,030	1,031	1	
Interest on Short-Term Bank Debt	35	12	16	4	
Other Interest Expense	36	0	0	0	
Interest net		**1,042**	**1,047**	**5**	
Allowance for other funds used during construction	37	59	42	18	
Allowance for borrowed funds used during construction	38	30	18	12	
Amortization of debt expense	39	10	9	(0)	
Other Net	40	(48)	(7)	(41)	
Total other income (expenses)		(952)	(1,004)	51	
Income (loss) before income taxes		**1,222**	**1,812**	**(591)**	
Rev Adj (pretax)		(388)			
Provision for income taxes	41	329	704	376	
Net Income w/Rev Adj at new rate vs real plan		**626**	**1,108**	**(482)**	

$ in '000s		MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES					
Water revenues	1	5,898	7,519	(1,621)	$1.4m revenue tax deferral - YTD amount booked in SAP in April (offset in tax provision). $200k real variance - Residential unbilled
Sewer revenues	2	39	50	(11)	
Other operating revenues	3	203	192	11	
Operating revenues		**6,140**	**7,762**	**(1,622)**	
OPERATIONS & MAINTENANCE EXPENSE					
Purchased water	4	25	21	(4)	
Fuel and Power	5	321	335	14	KU reduced rates for tax rate offset by higher system delivery
Chemicals	6	181	106	(75)	Unfavorable KY River conditions
Waste disposal	7	33	27	(6)	
Total production costs		**560**	**489**	**(71)**	
Salaries & Wages	8	613	572	(41)	6.4% vac rate.HC 132 v 138 Bud. Cap rate 25% v 25%. Opex OT Var $30k unfav. Labor $15k unfav.
Pensions	9	34	49	14	Labor variance $ breakdown: Cust Svc/Dist (28k); Cent Prod 12k; WQ (3k); North $11k; Mburg/Ridge (6k); ERC (1k).
Group insurances	10	133	132	(1)	
Other benefits	11	46	49	3	
Total employee related		**827**	**802**	**(25)**	
Service Company costs	12	**695**	**747**	**52**	
Contracted services	13	94	56	(38)	Legal Fees re: Tax Case - see Hinkson note
Building maintenance and services	14	63	45	(18)	Electricity (8k),Heating (3k),Groundskeeping (3k),Security (2k) - deep dive into these for landing zone/2019 budget/rate case
Telecommunication expenses	15	15	18	4	
Office supplies & expenses	16	19	25	6	
Employee related expense travel & entertainment	17	21	12	(9)	Relo
Miscellaneous expenses	18	56	42	(13)	Materials & Supplies ($9k),Lab Supplies ($7k) - likely timing, but need to follow up with cost centers
Rents	19	11	1	(10)	Timing on railroad rents ($5k); Equipmental Rental - RRS - Orings Dampeners Caustic ($5k)
Transportation	20	26	28	2	
Other	21	2	4	2	
Operating supplies & services		**307**	**230**	**(77)**	
Uncollectible Accounts Exp	22	53	54	1	plan = 0.59%, YTD roll = 0.62%
Customer accounting other	23	99	94	(4)	Collection Agency Fees
Regulatory expense	24	24	24	0	
Insurance other than group	25	55	63	8	
Maintenance service & supplies	26	159	156	(2)	
Total operation and maintenance		**2,778**	**2,659**	**(119)**	
Depreciation	27	1,162	1,176	13	
Amortization	28	22	24	2	
Removal costs	29	186	190	4	
Depreciation and Amortization		**1,371**	**1,389**	**19**	
General taxes	30	589	538	(51)	Property Tax Accrual
Loss (gain) on sale of assets	31	0	0	0	
Impairment charges	32	0	0	0	
Total operating expenses net		**4,738**	**4,586**	**(152)**	
Operating income (loss)		**1,402**	**3,175**	**(1,773)**	
OTHER INCOME (EXPENSES)					
Interest Income	33	0	0	0	
Interest on long-term debt	34	1,029	1,031	2	
Interest on Short-Term Bank Debt	35	18	18	0	
Other Interest Expense	36	0	0	0	
Interest net		**1,047**	**1,049**	**2**	
Nonoperating benefit costs, net	37	(19)	0	19	
Allowance for other funds used during construction	38	66	50	16	
Allowance for borrowed funds used during construction	39	33	22	11	
Amortization of debt expense	40	11	9	(2)	
Other Net	41	(1)	(7)	6	
Total other income (expenses)		(941)	(994)	53	
Income (loss) before income taxes		**461**	**2,181**	**(1,720)**	
Provision for income taxes	42	110	848	738	
Net Income		**351**	**1,334**	**(982)**	
Normalized April Net Income		$ 1,102	$ 1,334	$ (232)	Variance without the YTD Revenue Entry

Kentucky

May 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES				
Water revenues	7,961	8,144	(183)	Tax Deferral (437k); Res 276k; Com(74k); Ind (4k); OPA
Sewer revenues	40	50	(10)	
Other operating revenues	216	237	(21)	Late payment fees under budget
Operating revenues	**8,217**	**8,431**	**(214)**	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	27	21	(6)	
Fuel and Power	350	386	36	KU reduced rates for tax rate aprox $20k
Chemicals	144	159	16	
Waste disposal	38	27	(12)	
Total production costs	**558**	**593**	**35**	
Salaries & Wages	671	626	(45)	6.4% vac rate. HC 132 v 138 Bud. Cap rate 25% v 25%.
Pensions	32	49	17	
Group insurances	136	132	(4)	
Other benefits	51	46	(5)	
Total employee related	**890**	**852**	**(37)**	
Service Company costs	**746**	**776**	**30**	
Contracted services	99	53	(46)	Legal (16k) Audit Fees (14k) Temp Labor (4k) Other (8k)
Building maintenance and services	71	45	(26)	Groundskeeping
Telecommunication expenses	24	20	(5)	
Office supplies & expenses	17	25	9	Credit Line Fees 4k, Software License Fees 4k
Employee related expense travel & entertain	2	7	5	
Miscellaneous expenses	68	56	(12)	Timing
Rents	1	1	0	
Transportation	25	27	2	
Other	3	2	(0)	
Operating supplies & services	**309**	**236**	**(73)**	
Uncollectible Accounts Exp	47	56	9	plan = 0.59%, YTD roll = 0.71%
Customer accounting other	107	92	(14)	Collection Agency Fees
Regulatory expense	24	24	0	
Insurance other than group	54	63	9	
Maintenance service & supplies	166	155	(11)	
Total operation and maintenance	**2,900**	**2,848**	**(52)**	
Depreciation	1,168	1,178	10	
Amortization	22	24	2	
Removal costs	187	190	3	
Depreciation and Amortization	**1,378**	**1,392**	**14**	
General taxes	474	544	70	Property Tax 2018 Accrual True Up $106k offset by
Loss (gain) on sale of assets	0	0	0	
Impairment charges	0	0	0	
Total operating expenses net	**4,752**	**4,784**	**32**	
Operating income (loss)	**3,465**	**3,647**	**(182)**	
OTHER INCOME (EXPENSES)				
Interest Income	0	0	0	
Interest on long-term debt	1,029	1,031	2	
Interest on Short-Term Bank Debt	25	14	(12)	
Other Interest Expense	0	0	0	
Interest net	**1,055**	**1,045**	**(10)**	
Nonoperating benefit costs, net	2	0	(2)	
Allowance for other funds used during constr	62	58	5	
Allowance for borrowed funds used during cc	31	25	6	
Amortization of debt expense	10	9	(1)	
Other Net	4	(7)	11	
Total other income (expenses)	(970)	(979)	9	
Income (loss) before income taxes	**2,495**	**2,668**	**(173)**	
Provision for income taxes	635	1,037	402	
Net Income	**1,860**	**1,632**	**228**	

Kentucky

Jun 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES				
Water revenues	7,673	8,551	(878)	Tax Deferral (530k); State Tax Deferral YTD True Up: (1
Sewer revenues	47	50	(3)	
Other operating revenues	226	243	(17)	
Operating revenues	**7,946**	**8,844**	**(898)**	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	39	21	(18)	
Fuel and Power	364	401	37	KU reduced rates for tax rate aprox $20k
Chemicals	175	172	(3)	
Waste disposal	38	27	(11)	
Total production costs	**616**	**621**	**5**	
Salaries & Wages	573	571	(2)	5.0% vac rate. HC 134 v 138 Bud. Cap rate 34% v 28%.
Pensions	31	49	18	
Group insurances	115	132	17	
Other benefits	43	47	5	
Total employee related	**762**	**799**	**37**	
Service Company costs	**823**	**843**	**21**	
Contracted services	113	58	(55)	Legal (48k)
Building maintenance and services	58	61	4	
Telecommunication expenses	19	23	4	
Office supplies & expenses	27	28	1	Credit Line Fees 4k, Software License Fees 4k
Employee related expense travel & entertainn	38	10	(28)	Relo (24k)
Miscellaneous expenses	53	60	8	
Rents	0	3	3	
Transportation	25	30	5	
Other	4	2	(2)	
Operating supplies & services	**337**	**275**	**(62)**	
Uncollectible Accounts Exp	188	39	(149)	plan = 0.59%, write offs YTD roll = 0.78%, this month
Customer accounting other	97	94	(3)	
Regulatory expense	24	24	0	
Insurance other than group	54	63	9	
Maintenance service & supplies	215	165	(49)	Tank Painting Amort YTD true up $80k offset by
Total operation and maintenance	**3,115**	**2,924**	**(192)**	
Depreciation	1,174	1,185	10	
Amortization	22	24	2	
Removal costs	189	191	2	
Depreciation and Amortization	**1,385**	**1,400**	**14**	
General taxes	561	538	(23)	Property Tax 29k
Loss (gain) on sale of assets	0	0	0	
Impairment charges	0	0	0	
Total operating expenses net	**5,061**	**4,861**	**(200)**	
Operating income (loss)	**2,884**	**3,983**	**(1,099)**	
OTHER INCOME (EXPENSES)				
Interest Income	0	0	0	
Interest on long-term debt	1,029	1,031	2	
Interest on Short-Term Bank Debt	27	21	(6)	
Other Interest Expense	0	0	0	
Interest net	**1,057**	**1,053**	**(4)**	
Nonoperating benefit costs, net	(15)	0	15	
Allowance for other funds used during constru	63	68	(5)	
Allowance for borrowed funds used during co	32	29	2	
Amortization of debt expense	10	9	(1)	
Other Net	(20)	(12)	(8)	
Total other income (expenses)	(978)	(977)	(1)	
Income (loss) before income taxes	**1,906**	**3,006**	**(1,100)**	There is a $200k true up in taxes for the KY state tax rate change (offset in revenue). Also included here is the offset for the TCJA revenue deferral.
Provision for income taxes	405	1,168	763	
Net Income	**1,501**	**1,838**	**(337)**	

Kentucky

Jul 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES				
Water revenues	8,399	8,832	(433)	Tax Deferral (503k)
Sewer revenues	44	50	(6)	
Other operating revenues	250	224	26	
Operating revenues	**8,693**	**9,106**	**(412)**	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	31	21	(10)	
Fuel and Power	353	371	18	
Chemicals	202	200	(2)	
Waste disposal	39	27	(11)	
Total production costs	**626**	**620**	**(6)**	
Salaries & Wages	616	596	(20)	2.1% vac rate. HC 138 v 138 Bud. Cap rate 34%
Pensions	32	49	16	
Group insurances	127	132	5	
Other benefits	53	43	(11)	
Total employee related	**829**	**820**	**(9)**	
Service Company costs	**765**	**754**	**(12)**	
Contracted services	69	49	(20)	Legal ($9k) & Other Svc ($9k)
Building maintenance and services	58	47	(11)	
Telecommunication expenses	18	19	1	
Office supplies & expenses	19	25	7	Credit Line Fees 4k, Software License Fees 4k
Employee related expense travel & entertainr	39	12	(27)	Relo (27k)
Miscellaneous expenses	93	61	(32)	Director's fees ($7.5K)/Ch. Cont. ($7k) and
Rents	2	(1)	(3)	
Transportation	33	30	(3)	
Other	3	3	(0)	
Operating supplies & services	**333**	**246**	**(88)**	
Uncollectible Accounts Exp	63	62	(1)	plan = 0.59%, write offs YTD roll = 0.78%,
Customer accounting other	104	92	(12)	
Regulatory expense	24	24	0	
Insurance other than group	54	63	9	
Maintenance service & supplies	153	155	2	Tank Painting Amort YTD true up $80k offset
Total operation and maintenance	**2,951**	**2,835**	**(116)**	
Depreciation	1,172	1,187	15	
Amortization	22	24	2	
Removal costs	187	191	4	
Depreciation and Amortization	**1,382**	**1,403**	**21**	
General taxes	563	541	(22)	Property Tax 29k
Loss (gain) on sale of assets	0	0	0	
Impairment charges	0	0	0	
Total operating expenses net	**4,896**	**4,779**	**(117)**	
Operating income (loss)	**3,798**	**4,327**	**(529)**	
OTHER INCOME (EXPENSES)				
Interest Income	0	0	0	
Interest on long-term debt	1,029	1,031	2	
Interest on Short-Term Bank Debt	21	17	(4)	
Other Interest Expense	0	0	0	
Interest net	**1,051**	**1,048**	**(3)**	
Nonoperating benefit costs, net	(15)	0	15	
Allowance for other funds used during constr	67	75	(8)	
Allowance for borrowed funds used during co	34	32	2	
Amortization of debt expense	10	9	(1)	
Other Net	5	(12)	17	
Total other income (expenses)	(940)	(962)	22	
Income (loss) before income taxes	**2,857**	**3,365**	**(507)**	There is a $200k true up in taxes for the KY state tax rate change (offset in revenue). Also included here is the offset for the TCJA revenue deferral.
Provision for income taxes	689	1,307	619	
Net Income	**2,169**	**2,057**	**111**	

Kentucky
Aug 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES				
Water revenues	8,409	8,916	(507)	Tax Deferral (504k)
Sewer revenues	51	50	1	
Other operating revenues	227	233	(6)	
Operating revenues	**8,687**	**9,199**	**(512)**	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	34	15	(19)	
Fuel and Power	294	429	135	Reservoir full, haven't run transfers since July
Chemicals	190	207	16	
Waste disposal	37	31	(5)	
Total production costs	**555**	**682**	**127**	
Salaries & Wages	666	623	(43)	2.8% vac rate. HC 137 v 138 Bud. Cap rate 33% v 28%.
Pensions	29	49	19	
Group insurances	130	132	2	
Other benefits	51	47	(4)	
Total employee related	**877**	**851**	**(25)**	
Service Company costs	**697**	**768**	**71**	
Contracted services	111	58	(52)	Legal ($21k), Other Svc($18k) & Engineering ($15k -
Building maintenance and services	80	49	(31)	Groundskeeping
Telecommunication expenses	27	19	(8)	
Office supplies & expenses	24	27	3	
Employee related expense travel & entertainr	(49)	11	59	Negative in the month - reclassed to Virginia relo charges
Miscellaneous expenses	89	43	(46)	
Rents	1	0	(1)	
Transportation	46	28	(19)	
Other	4	5	1	
Operating supplies & services	**333**	**241**	**(92)**	
Uncollectible Accounts Exp	97	25	(73)	plan = 0.59%, write offs YTD roll = 0.80%,
Customer accounting other	109	91	(17)	
Regulatory expense	24	24	0	
Insurance other than group	53	63	10	
Maintenance service & supplies	152	156	4	
Total operation and maintenance	**2,895**	**2,901**	**5**	
Depreciation	1,191	1,193	2	
Amortization	22	24	2	
Removal costs	188	192	5	
Depreciation and Amortization	**1,401**	**1,410**	**9**	
General taxes	567	543	(24)	Property Tax 29k
Loss (gain) on sale of assets	0	0	0	
Impairment charges	0	0	0	
Total operating expenses net	**4,863**	**4,853**	**(10)**	
Operating income (loss)	**3,824**	**4,346**	**(522)**	
OTHER INCOME (EXPENSES)				
Interest Income	0	0	0	
Interest on long-term debt	1,029	1,031	2	
Interest on Short-Term Bank Debt	40	11	(29)	
Other Interest Expense	0	0	0	
Interest net	**1,070**	**1,043**	**(27)**	
Nonoperating benefit costs, net	(15)	0	15	
Allowance for other funds used during constr	67	74	(7)	
Allowance for borrowed funds used during co	34	31	2	
Amortization of debt expense	10	9	(1)	
Other Net	(20)	(12)	(7)	
Total other income (expenses)	(983)	(958)	(25)	
Income (loss) before income taxes	**2,840**	**3,388**	**(547)**	There is a $200k true up in taxes for the KY state tax rate change (offset in revenue). Also included here is the offset for the TCJA revenue deferral.
Provision for income taxes	699	1,316	618	
Net Income	**2,142**	**2,071**	**70**	
	25%	39%		

Kentucky

Sep 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES				
Water revenues	8,019	8,968	(949)	TCJA $517k, Usage $431k due to rain
Sewer revenues	45	50	(5)	
Other operating revenues	250	220	30	
Operating revenues	**8,314**	**9,238**	**(924)**	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	35	15	(20)	
Fuel and Power	284	421	136	Reservoir full, haven't run transfers since July
Chemicals	228	193	(35)	
Waste disposal	40	33	(7)	
Total production costs	**588**	**661**	**74**	
Salaries & Wages	554	575	21	2.8% vac rate. HC 137 v 138 Bud. Cap rate 37% v 25%. Opex OT
Pensions	30	49	19	
Group insurances	94	132	39	
Other benefits	35	44	8	
Total employee related	**713**	**799**	**87**	
Service Company costs	**947**	**821**	**(127)**	
Contracted services	104	63	(41)	Legal ($39k)
Building maintenance and services	33	51	18	
Telecommunication expenses	24	32	8	
Office supplies & expenses	28	25	(2)	
Employee related expense travel & entertain	29	13	(16)	Meals for training
Miscellaneous expenses	61	63	2	
Rents	5	1	(3)	
Transportation	52	28	(24)	
Other	4	2	(2)	
Operating supplies & services	**339**	**278**	**(61)**	
Uncollectible Accounts Exp	102	68	(34)	plan = 0.59%, write offs YTD roll = 0.83%,
Customer accounting other	106	96	(11)	
Regulatory expense	24	24	0	
Insurance other than group	57	63	6	
Maintenance service & supplies	139	167	28	
Total operation and maintenance	**3,015**	**2,976**	**(38)**	
Depreciation	1,197	1,205	8	
Amortization	22	24	2	
Removal costs	188	193	4	
Depreciation and Amortization	**1,408**	**1,421**	**14**	
General taxes	559	541	(19)	Property Tax 29k
Loss (gain) on sale of assets	0	0	0	
Impairment charges	0	0	0	
Total operating expenses net	**4,982**	**4,939**	**(43)**	
Operating income (loss)	**3,332**	**4,300**	**(967)**	
OTHER INCOME (EXPENSES)				
Interest Income	0	0	0	
Interest on long-term debt	1,029	1,031	2	
Interest on Short-Term Bank Debt	25	20	(5)	
Other Interest Expense	0	0	0	
Interest net	**1,055**	**1,051**	**(3)**	
Nonoperating benefit costs, net	(91)	0	91	
Allowance for other funds used during constr	68	71	(4)	
Allowance for borrowed funds used during co	34	30	3	
Amortization of debt expense	10	9	(1)	
Other Net	34	(12)	47	
Total other income (expenses)	(838)	(971)	133	
Income (loss) before income taxes	**2,494**	**3,329**	**(835)**	Offset for the TCJA revenue deferral.
Provision for income taxes	640	1,293	654	
Net Income	**1,855**	**2,036**	**(181)**	
	26%	39%		

Kentucky

Oct 2018 MTD Income Statement

$ in '000s	MTD Actuals	MTD Budget	Fav/(Unfav)	MTD vs Budget Explanation
OPERATING REVENUES				
Water revenues	7,445	8,634	(1,189)	TCJA $528K, unrealized BD $137K ($160K offset by E Rockcastle $23K), lower usage $424K and OPA $100K (due to profile)
Sewer revenues	32	50	(18)	
Other operating revenues	215	202	13	
Operating revenues	**7,692**	**8,887**	**(1,195)**	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	34	15	(19)	
Fuel and Power	294	341	47	Reservoir full, haven't run transfers since July
Chemicals	141	168	27	
Waste disposal	36	32	(4)	
Total production costs	**506**	**557**	**51**	
Salaries & Wages	668	643	(24)	0% vac rate. HC 138 v 138 Bud. Cap rate 29% v 25%. Opex OT ($40k) Labor O&M($36k)
Pensions	28	49	20	
Group insurances	115	132	17	
Other benefits	47	46	(1)	
Total employee related	**858**	**870**	**12**	
Service Company costs	**818**	**766**	**(52)**	
Contracted services	56	74	17	
Building maintenance and services	77	47	(30)	Groundskeeping
Telecommunication expenses	20	17	(3)	
Office supplies & expenses	32	27	(5)	
Employee related expense travel & entertain	(0)	10	10	
Miscellaneous expenses	68	73	5	
Rents	2	0	(2)	
Transportation	36	36	0	
Other	0	2	2	
Operating supplies & services	**293**	**288**	**(5)**	
Uncollectible Accounts Exp	28	66	37	plan = 0.59%, write offs YTD roll = 0.85%,
Customer accounting other	123	92	(31)	
Regulatory expense	24	24	0	
Insurance other than group	53	63	10	
Maintenance service & supplies	203	184	(19)	
Total operation and maintenance	**2,907**	**2,909**	**2**	
Depreciation	1,217	1,222	5	
Amortization	22	24	2	
Removal costs	192	194	3	
Depreciation and Amortization	**1,431**	**1,440**	**9**	
General taxes	596	547	(49)	Property Tax
Loss (gain) on sale of assets	(2,058)	(1,210)	848	Gain on Land Sale
Impairment charges	0	0	0	
Total operating expenses net	**2,875**	**3,686**	**811**	
Operating income (loss)	**4,817**	**5,201**	**(384)**	
OTHER INCOME (EXPENSES)				
Interest Income	0	0	0	
Interest on long-term debt	1,029	1,031	2	
Interest on Short-Term Bank Debt	27	20	(7)	
Other Interest Expense	1	0	(1)	
Interest net	**1,058**	**1,052**	**(6)**	
Nonoperating benefit costs, net	(91)	0	91	
Allowance for other funds used during constr	69	63	6	
Allowance for borrowed funds used during cc	35	27	8	
Amortization of debt expense	10	9	(1)	
Other Net	(5)	(7)	3	
Total other income (expenses)	(878)	(979)	101	
Income (loss) before income taxes	**3,938**	**4,222**	**(283)**	Offset for the TCJA revenue deferral.
Provision for income taxes	976	1,640	664	
Net Income	**2,963**	**2,582**	**381**	
	25%	39%		

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 32

Description of Filing Requirement:

Independent Auditor's Annual Opinion Report and any Written Findings of Material Weaknesses in Internal Controls

Response:

Please see attached for the Independent Auditor's 2017 Annual Opinion Report, and refer to Exhibit 28 for the entire document from which the Report was extracted. There were no findings of material weakness in internal controls.

For electronic version, see KAW_APP_EX32_112818.pdf for this document.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, of comprehensive income, of cash flows, and of changes in stockholders' equity for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016**,** and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 20, 2018

We have served as the Company's auditor since 1948.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 33

Description of Filing Requirement:

Summary of last depreciation study

Response:

A depreciation study was prepared by Gannett Fleming and was sponsored by John Spanos in Case No. 2015-00418. Please see attached depreciation rates that were approved in Case No. 2015-00418. The Company has not prepared a depreciation study for this case.

For electronic version, see KAW_APP_EX33_112818.pdf

Kentucky American Water Company
Case No. 2015-00418
Depreciation Rates Per Updated Depreciation Study

	Depreciable Group	Accrual Rate
	STRUCTURES AND IMPROVEMENTS	
304.10	SOURCE OF SUPPLY	2.24
304.20	POWER AND PUMPING STRUCTURES	2.48
304.30	WATER TREATMENT	2.71
304.40	TRANSMISSION AND DISTRIBUTION	1.39
304.60	OFFICE BUILDINGS	3.07
304.70	STORE, SHOP AND GARAGE STRUCTURES	1.76
304.80	MISCELLANEOUS STRUCTURES	6.18
305.00	COLLECTING AND IMPOUNDING RESERVOIRS	1.58
306.00	LAKE, RIVER AND OTHER INTAKES	2.02
309.00	SUPPLY MAINS	1.53
310.10	OTHER POWER GENERATION EQUIPMENT	3.12
	PUMPING EQUIPMENT	
311.20	ELECTRIC	3.03
311.30	DIESEL	3.23
311.40	HYDRAULIC	4.08
311.52	SOURCE OF SUPPLY	2.73
311.54	TRANSMISSION AND DISTRIBUTION PUMPING EQUIPMENT	3.02
320.10	PURIFICATION SYSTEM - STRUCTURES	2.77
320.20	PURIFICATION SYSTEM - FILTER MEDIA	2.65
330.00	DISTRIBUTION RESERVOIRS AND STANDPIPES	2.02
330.10	ELEVATED TANKS AND STANDPIPES	1.89
330.20	GROUND LEVEL FACILITIES	1.83
330.40	CLEARWELLS	1.74
331.00	MAINS AND ACCESSORIES	1.53
333.00	SERVICES	3.24
	METERS	
334.10	METERS	3.50
334.11	BRONZE CASE	2.90
334.12	PLASTIC CASE	4.39
334.13	OTHER	3.70
334.20	METER INSTALLATIONS	2.89
334.30	METER VAULTS	3.31
335.00	FIRE HYDRANTS	2.15
339.60	OTHER P/E COMPANY PLANNING STUDY	10.00
	OFFICE FURNITURE AND EQUIPMENT	
340.10	FURNITURE	5.00
340.15	COMPUTER SOFTWARE - SPECIAL RATE	10.00
340.21	MAINFRAME	20.00
340.22	PERSONAL COMPUTERS	20.00

340.23	PERIPHERAL-OTHER	20.00
340.30	COMPUTER SOFTWARE	20.00
340.32	COMPUTER SOFTWARE-PERSONAL	20.00
340.50	OTHER	6.67
	TRANSPORTATION EQUIPMENT	
341.10	LIGHT DUTY TRUCKS	8.76
341.20	HEAVY DUTY TRUCKS	8.12
341.30	AUTOS	10.11
341.40	OTHER	10.06
342.00	STORES EQUIPMENT	4.00
343.00	TOOLS, SHOP AND GARAGE EQUIPMENT	5.00
344.00	LABORATORY EQUIPMENT	6.67
345.00	POWER OPERATED EQUIPMENT	2.73
346.10	COMMUNICATION EQUIPMENT - NON-TELEPHONE	6.67
346.19	REMOTE CONTROL AND INSTRUMENTATION	6.67
346.20	COMMUNICATION EQUIPMENT - TELEPHONE	6.67
347.00	MISCELLANEOUS EQUIPMENT	5.00
348.00	OTHER TANGIBLE PROPERTY	5.00

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 34

Description of Filing Requirement:

List of Software, Programs and Models Used

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX34_112818.pdf.

A list of all commercially available or in-house developed computer software, programs and models used in the development of the schedules and workpapers associated with the filing of the utility's application are listed below.

SOFTWARE	**DESCRIPTION**
Microsoft Office	MS Office is a suite of personal computer applications designed to integrate with each other and provide a similar interface to the data maintained within each application. Applications included in the MS Office suite are MS Excel, MS Access, and MS Word. MS Office is manufactured by Microsoft Corporation.
MS Excel	MS Excel was used by the Company to formulate their budget information and was used to complete the computation of water utilization projections and the cost of service allocation study. MS Excel is an electronic spreadsheet application manufactured by Microsoft Corporation.
MS Access	MS Access was used by the Company to manage, organize, and control large amounts of data that can be formatted into a data base file. MS Access is an electronic data base management system manufactured by Microsoft Corporation.
MS Word	MS Word was used to prepare testimony and other miscellaneous schedules. MS Word is an electronic word processing application manufactured by Microsoft Corporation.
Adobe Acrobat	Acrobat was used by the Company to create and manage Portable Document Format (PDF) files. Acrobat is a universal document exchange application and is manufactured by Adobe Systems Incorporated.
Hyperion	Hyperion is used by the Company to create balance sheets, income statements and cash flow analyses and is used to consolidate financial data for financial reporting. Hyperion is also used to download revenue, usage and customer counts data by class. Hyperion is a business performance and business intelligence application manufactured by Hyperion Solutions Corporation.

SOFTWARE	**DESCRIPTION**
Hyperion Smartview	Hyperion SmartView is used to download data into Excel, which feeds into the revenue analysis model used for analysis of revenue data. Hyperion Smartview is a business performance and business intelligence application manufactured by Hyperion Solutions Corporation.
SAP	SAP is used by the Company as an enterprise financial application including general ledger, accounts payable, procurement, materials inventory, asset management, payroll and human resource administration. SAP also has a billing and customer information system aspect that contains information on water consumptions, billing, collecting, and tracking customer's service work. SAP is manufactured by SAP SE which is a German-based European multinational software corporation.
SAP Business Intelligence	SAP Business Intelligence is used to download historical billing data which for analysis to determine usage patterns and other information to develop the forecast. SAP Business Intelligence is manufactured by SAP SE which is a German-based European multinational software corporation.
PowerPlant	PowerPlant is a financial asset lifecycle management software system designed specifically for the utility industry. PowerPlant covers capital budgeting, project accounting (including overhead and AFUDC calculations), fixed asset accounting (including book and tax depreciation), property tax accounting, and income tax accounting (including deferred tax and tax provision). The manufacturer is PowerPlan, Inc.
Computer Hardware	Laptop - Latitude 7490 i7 - i7-16-512 Latitude 7490 XCTO: i7-8650U Processor (Quad Core 8M Cache 1.9GHz, 15W, vPro) supports only Windows 10/Linux , 16GB DDR4 Memory, M256 SATA Drive 512GB SATA Class 20 Solid State Drive Windows 10 Enterprise & Office 365

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 35

Description of Filing Requirement:

Affiliate, General or Home Office Allocations

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX35_112818.pdf

KENTUCKY-AMERICAN WATER
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
AFFILIATE, GENERAL OR HOME OFFICE ALLOCATIONS

Kentucky-American Water Company (KAWC) has amounts charged and allocated to it by American Water Works Service Company, Inc. (Service Company), American Water Capital Corp. (AWCC) and AWI, Inc. (AWI).

Service Company

	Amounts Allocated/ Charged to KAWC (000)
2015	$8,326
2016	$9,130
2017	$9,057
Base Period	$9,385
Forecasted Period	$9,719

A contract between KAWC and the Service Company provides detailed language outlining the methodologies utilized in the allocation of Service Company charges to Kentucky-American Water. The contract became effective October 1, 1989.

The methods used to allocate charges to KAWC during the base period and the forecasted test period was based on this Service Company contract and the Service Company Billing and Accounting Manual (BAM). Service Company costs are allocated to KAWC based upon actual time charged or allocated by Service Company employees as reflected in their daily timesheets. All costs of Service Company employees that are identified as related exclusively to KAWC are charged directly to KAWC. Service Company costs incurred in rendering services to KAWC, and other operating companies, are allocated among the group of companies receiving the service rendered based on certain data from the preceding calendar year.

AWCC

	Amounts Allocated/ Charged to KAWC (000)
2015	$10,392
2016	$10,533
2017	$10,718
Base Period	$10,983
Forecasted Period	$11,271

The services provided by AWCC include those listed in Appendix I of the Financial Services Agreement between KAWC and AWCC. By Order entered July 21, 2000 in Case No. 2000-189, the Commission authorized the Company to enter into a Financial Services Agreement with AWCC which enables the Company to periodically issue debt securities in the form of notes or debentures for the purpose of

replacing short-term debt or refinancing maturities of existing long-term debt. In Case No. 2006-00418 the Commission reaffirmed the Company's authorization to use AWCC for the attainment of its debt financing. In its Order in Case No. 2009-00156, the Commission again authorized the Company's use of AWCC as a source for its long-term and short-term debt funding. And most recently, in its Orders in Case Nos. 2012-00393 and 2015-00400, the Commission reaffirmed the Company's continued participation in the AWCC borrowing program.

The methods used to allocate charges to KAWC during the base period and the forecasted test period was based on the Financial Service Agreement, and corresponding promissory notes. The market interest rates obtained by AWCC for both short-term and long-term debt are a direct pass-through as a cost component to the amounts borrowed by KAWC from AWCC. The costs incurred by AWCC in connection with its bank credit lines and short-term debt borrowings are divided among participating affiliates, such as KAWC, in proportion to the maximum principal amount that each participating affiliate requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term debt borrowing by AWCC is divided up among each individual participating affiliate, such as KAWC, in proportion to the principal amount of that borrowing that is loaned to each participating affiliate. AWCC's overhead is allocated among each participating affiliate in the same proportion as each individual participant's long-term and maximum requested short-term debt borrowings and investments in a calendar year compared to all of the long-term and maximum short-term debt borrowings and investments by all participating affiliates during the same year.

AWI

	Amounts Allocated/ Charged to KAWC (000)
2015	$0
2016	$541
2017	$460
Base Period	$427
Forecasted Period	$534

AWI is a pure captive insurance company and a subsidiary of American Water Works Company, Inc. (American Water) that provides insurance and insurance related services to American Water and its subsidiaries, including KAWC. American Water is currently using AWI for two purposes: (i) to fund payments in the deductible layer of its general liability, automobile liability and workers' compensation commercial insurance policies; and (ii) to provide a basis for coverage under the Terrorism Risk Insurance Act ("TRIA").

The methods used to allocate charges to KAWC during the base period and the forecasted test period for the deductible layer that covers KAWC's general liability and worker's compensation policies are based upon a combination of loss experience (50%) and exposure (50% estimated annual payroll). The Company's auto liability insurance premiums are based on a combination of loss experience (50%) and exposure (50% based on number of vehicles). The loss experience is generally based upon a five-year average of historical loss experience.

The methods used to allocate charges to KAWC during the base period and the forecasted test period for the TRIA coverage is based on the total insured value of KAWC's assets.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2018-00358
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 36

Description of Filing Requirement:

Cost of Service Study

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX36_112818.pdf

Exhibit No. 36
Witness: C. E. Heppenstall

KENTUCKY AMERICAN WATER COMPANY
Lexington, Kentucky

COST OF SERVICE

ALLOCATION STUDY

AS OF JUNE 30, 2020

AND

PROPOSED CUSTOMER RATES

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Harrisburg, Pennsylvania

Gannett Fleming

Excellence Delivered As Promised

November 20, 2018

Kentucky American Water Company
2300 Richmond Road
Lexington, KY 40502

Attention Mr. Nick Rowe, President

Ladies and Gentlemen:

Pursuant to your request, we have conducted a cost of service allocation study based on pro forma revenue requirements for the test year ending June 30, 2020, and have prepared proposed rate schedules designed to produce the pro forma revenue requirements.

The attached report presents the results of the study, as well as supporting schedules which set forth the detailed cost allocation calculations. Schedule A on page 6 presents a comparison of the cost of service by customer classification with the pro forma revenues produced by each classification under present and proposed rates.

Respectfully submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC

CONSTANCE E. HEPPENSTALL
Project Manager, Rate Studies

CEH:mle

064509.00

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PART I. INTRODUCTION

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE ALLOCATION STUDY AS OF JUNE 30, 2020 AND PROPOSED CUSTOMER RATES PART I. INTRODUCTION

PLAN OF REPORT

The report sets forth the results of the cost of service allocation study as of June 30, 2020, prepared for Kentucky American Water Company. Part I, Introduction, contains statements with respect to the basis of the study, the procedures employed, and a summary of the results of the study. Part II, Cost of Service by Customer Classification, presents detailed schedules of the allocation of costs to customer classifications, as well as the bases for the allocations. Part III, Proposed Customer Rates, sets forth a comparison of the present and proposed rate structures, and the development of the proposed service charges.

BASIS OF THE STUDY

The purpose of the study was to allocate costs to several customer classifications based on considerations of quantity of water consumed, variability of rate of flow, and costs associated with metering, billing and accounting. The allocation study was based on recognized procedures for allocating the several categories of costs to customer classifications in proportion to each classification's use of the facilities, commodities and services which entail the total cost of providing water service.

ALLOCATION PROCEDURES

The allocation study was based on the Base-Extra Capacity Method for allocating costs to customer classifications. The method is described in the 2017 and prior editions of the Water Rates Manual, published by the American Water Works Association. The four basic categories of cost responsibility are base, extra capacity, customer and fire protection costs. The following discussions present a brief description of these costs and the manner in which they were allocated.

Base Costs are costs that tend to vary with the quantity of water used, plus costs associated with supplying, treating, pumping and distributing water to customers under average load conditions, without the elements necessary to meet peak demands. Base costs were allocated to customer classifications on the basis of average daily usage.

Extra Capacity Costs are costs associated with meeting usage requirements in excess of the average. They include operating and capital costs for additional plant and system capacity beyond that required for average use. The extra capacity costs in this study are subdivided into costs necessary to meet maximum day extra demand and costs to meet maximum hour extra demand. The extra capacity costs were allocated to customer classifications on the bases of each classification's maximum day and hour usage in excess of average usage. (Extra capacity costs related to fire protection are allocated directly to the fire protection classifications.)

Customer Costs are costs associated with serving customers regardless of their usage or demand characteristics. Customer costs include the operating and capital costs related to meters and services, meter reading costs, and billing and collecting costs. The customer costs were allocated on the bases of the relative cost of meters and services and the number of customers.

Fire Protection Costs are costs associated with providing the facilities to meet the potential peak demand of fire protection service. Fire protection costs are subdivided into costs to meet Public Fire Protection and Private Fire Protection demands. Operating and capital costs for hydrants were allocated directly to the Public Fire Protection classification. The extra capacity costs assigned to fire protection service were allocated to Public and Private Fire Protection on the basis of the total relative demands of the hydrants and fire service lines.

RESULTS OF STUDY

The results of the cost of service allocation study are set forth in Part II. The data summarized for each district in Schedule A, Comparison of Cost of Service with Revenues Under Present and Proposed Rates for the Test Year Ended June 30, 2020, constitute the principal results of the cost allocation studies and subsequent rate designs.

The cost of service by customer classification shown in column 2 of Schedule A is developed in Schedule B, Cost of Service for the Twelve Months Ended June 30, 2020, Allocated to Customer Classifications. The allocation of the total cost of service to the several customer classifications was performed by applying the allocation factors referenced in column 2 of Schedule B to the cost of service set forth in column 3. The bases for the allocation factors are presented in Schedule C.

Schedule D sets forth the experienced average day and maximum day system sendout and the maximum day ratios from 2000 through 2017. Schedule E presents the basis for allocating demand related costs of fire service to private and public fire protection classifications.

DESIGN OF PROPOSED RATES

A comparison of the present and proposed rate structures is presented in Schedule G of Part III of the report. The proposed rates maintain the existing rate structure consisting of service charges by meter size applicable to all classes and single- block consumption charges for each classification. The service charges were developed on Schedule F, based on the cost of service related to meters, services, billing and collecting including meter reading, unrecovered public fire costs and costs related to readiness to serve.

The consumption charges as well as private and public fire rates were increased so that the revenues under proposed rates would move toward the indicated cost of service as shown in Schedule A.

KENTUCKY AMERICAN WATER COMPANY

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE TEST YEAR ENDED JUNE 30, 2020

Customer Classification	Cost of Service Amount (Schedule B)	Cost of Service Percent	Revenues, Present Rates Amount	Revenues, Present Rates Percent	Revenues, Proposed Rates Amount	Revenues, Proposed Rates Percent	Proposed Increase Amount	Proposed Increase Percent Increase
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residential	$ 58,188,215	55.1%	$ 47,551,194	55.7%	$ 58,459,635	55.4%	$ 10,908,441	22.9%
Commercial	27,129,958	25.8%	21,724,229 (a)	25.4%	27,128,329 (a)	25.8%	5,404,100	24.9%
Industrial	3,096,238	2.9%	2,515,892	2.9%	3,095,858	2.9%	579,966	23.1%
Public Authority	7,123,804	6.8%	5,703,375	6.7%	7,123,901	6.8%	1,420,526	24.9%
Sales for Resale	2,078,616	2.0%	1,711,090	2.0%	2,078,311	2.0%	367,221	21.5%
Private Fire Service	2,905,653	2.8%	2,664,721	3.1%	3,011,136	2.9%	346,415	13.0%
Public Fire Service	4,824,129	4.6%	3,611,110	4.2%	4,449,177	4.2%	838,067	23.2%
Total Sales	105,346,614	100.0%	85,481,611	100.0%	105,346,347	100.0%	19,864,736	23.2%
Other Revenues and AFUDC	3,037,241		3,037,241		3,037,241		-	0.0%
Total	$ 108,383,855		$ 88,518,852		$ 108,383,588		$ 19,864,736	22.4%

(a) Includes Miscellaneous Water Sales.

KAW_APP_EX36_112818
Schedule A
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PART II. COST OF SERVICE BY CUSTOMER CLASSIFICATION

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2020 ALLOCATED TO CUSTOMER CLASSIFICATIONS

	Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection Private	Fire Protection Public
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	OPERATION AND MAINTENANCE EXPENSES									
	SOURCE OF SUPPLY EXPENSES									
	-OPERATION-									
610.1	Purchased Water	1	$ 252,496	$ 121,400	$ 81,884	$ 13,307	$ 25,123	$ 9,191	$ 783	$ 808
615.1	Purchased Power	1	69,240	33,291	22,455	3,649	6,889	2,520	215	222
616.1	Fuel for Power Production	2	-	-	-	-	-	-	-	-
675.1	Contracted Services	2	17,691	8,867	5,711	840	1,629	580	32	32
675.1	Grounds Keeping	2	9,283	4,653	2,997	441	855	304	17	17
675.1	Security	2	27,305	13,685	8,814	1,297	2,515	896	49	49
675.1	Miscellaneous Expenses	2	74,315	37,247	23,989	3,530	6,844	2,438	134	134
675.1	Water & WW SS	2	52,137	26,131	16,830	2,477	4,802	1,710	94	94
	Total Source of Supply		502,467	245,273	162,679	25,540	48,658	17,639	1,323	1,355
	POWER AND PUMPING EXPENSES									
615.1	Purchased Power	1	542,831	260,993	176,040	28,607	54,012	19,759	1,683	1,737
	Misc. Expenses	1	(2,529)	(1,216)	(820)	(133)	(252)	(92)	(8)	(8)
	Total Power and Pumping		540,302	259,777	175,220	28,474	53,760	19,667	1,675	1,729
	WATER TREATMENT									
	-OPERATION-									
601.3	Supervision and Engineering	2	193,212	96,838	62,369	9,178	17,795	6,337	348	348
601.3	Labor Expense	2	3,656,185	1,832,480	1,180,217	173,669	336,735	119,923	6,581	6,581
618.3	Chemicals	1	2,887,866	1,388,486	936,535	152,191	287,343	105,118	8,952	9,241
615.3	Purchased Power	1	3,616,725	1,738,921	1,172,904	190,601	359,864	131,649	11,212	11,574
620.3	M&S Operation	2	-	-	-	-	-	-	-	-
636.3	Contracted Services	2	81,473	40,834	26,299	3,870	7,504	2,672	147	147
635.3	Contracted Services - Lab Testing	2	8,049	4,034	2,598	382	741	264	14	14
675.3	Misc Operating Expense	2	108,139	54,200	34,907	5,137	9,960	3,547	195	195
675.3	Lab Supplies	2	122,996	61,646	39,703	5,842	11,328	4,034	221	221
675.3	Waste Disposal	1	407,483	195,918	132,147	21,474	40,545	14,832	1,263	1,304
675.3	Overnight Shipping	2	22,177	11,115	7,159	1,053	2,043	727	40	40
675.3	Office Supplies and Uniforms	2	51,342	25,733	16,573	2,439	4,729	1,684	92	92
675.3	Electricity WT	2	6,985	3,501	2,255	332	643	229	13	13
675.3	Janitorial WT	2	2,923	1,465	944	139	269	96	5	5
675.3	Trash Removal WT	2	7,884	3,951	2,545	374	726	259	14	14
675.3	Rents WT	2	8,702	4,361	2,809	413	801	285	16	16

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2020 ALLOCATED TO CUSTOMER CLASSIFICATIONS

	Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection Private	Fire Protection Public
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
675.3	Telephone WT	2	27,775	13,921	8,966	1,319	2,558	911	50	50
675.3	Cell Phone WT	2	6,032	3,023	1,947	287	556	198	11	11
675.3	Water & WW WT	2	10,901	5,464	3,519	518	1,004	358	20	20
	Total Operation		11,226,850	5,485,891	3,634,395	569,218	1,085,142	393,124	29,194	29,885
	-MAINTENANCE-									
601.4	Supervision and Engineering	2	-	-	-	-	-	-	-	-
601.4	Labor	2	383,288	192,104	123,725	18,206	35,301	12,572	690	690
620.4	Misc Maint	2	193,204	96,834	62,366	9,177	17,794	6,337	348	348
675.4	M&S Maint WT	2	152,244	76,305	49,144	7,232	14,022	4,994	274	274
675.4	Amort Def Maint WT	2	-	-	-	-	-	-	-	-
	Total Maintenance		728,736	365,242	235,236	34,615	67,117	23,903	1,312	1,312
	Total Water Treatment Expenses		11,955,586	5,851,133	3,869,631	603,833	1,152,259	417,027	30,506	31,197
	TRANSMISSION AND DISTRIBUTION EXPENSES									
	-OPERATION-									
601.5	Supervision and Engineering	11	92,967	74,346	13,341	428	2,650	205	1,515	483
601.5	Labor Expense	11	372,981	298,273	53,523	1,716	10,630	821	6,080	1,940
615.5	Purchased Power	11	18,063	14,445	2,592	83	515	40	294	94
601.5	Labor - Lines	7	131,474	62,792	40,823	1,604	10,018	881	7,428	7,928
601.5	Labor - Meters	9	1,380,084	1,145,746	176,099	5,382	33,122	2,484	17,251	-
601.5	Labor - Services	10	-	-	-	-	-	-	-	-
620.5	M&S Operation	11	126,937	101,512	18,215	584	3,618	279	2,069	660
636.5	Contracted Services	11	137,548	109,997	19,738	633	3,920	303	2,242	715
650.5	Transportation	11	165	132	24	1	5	0	3	1
675.5	Office Supplies, Uniforms and Shipping	11	38,788	31,019	5,566	178	1,105	85	632	202
675.5	Misc. Operating Expense	11	154,077	123,215	22,110	709	4,391	339	2,511	801
675.5	Electricity TD	11	76,593	61,251	10,991	352	2,183	169	1,248	398
675.5	Heating Oil/Gas TD	11	-	-	-	-	-	-	-	-
675.5	Trash Removal TD	11	6,365	5,090	913	29	181	14	104	33
675.5	Cell Phone TD	11	3,241	2,592	465	15	92	7	53	17
641.5	Rents	11	10,837	8,666	1,555	50	309	24	177	56
	Total Operation		2,550,120	2,039,076	365,955	11,764	72,739	5,650	41,608	13,328
	-MAINTENANCE-									
601.6	Labor	12	1,141,909	550,743	260,926	28,205	58,808	17,243	101,059	124,925
601.6	Labor - Structures and Improvements	12	-	-	-	-	-	-	-	-
601.6	Labor - Reservoirs and Standpipes	5	-	-	-	-	-	-	-	-
601.6	Labor - Mains	7	99,146	47,352	30,785	1,210	7,555	664	5,602	5,979
601.6	Labor - Services	10	240,816	198,505	26,418	265	3,347	96	12,185	-
601.6	Labor - Meters	9	69,155	57,412	8,824	270	1,660	124	864	-
601.6	Labor - Hydrants	8	36,622	-	-	-	-	-	-	36,622
620.6	M&S Maint.	12	295,382	142,463	67,495	7,296	15,212	4,460	26,141	32,315

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2020 ALLOCATED TO CUSTOMER CLASSIFICATIONS

	Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection Private	Fire Protection Public
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
675.6	Misc Maint TD	12	128,048	61,758	29,259	3,163	6,594	1,934	11,332	14,008
675.6	Amort Def Maint TD	5	1,091,902	438,399	285,751	36,142	66,715	22,275	117,270	125,350
675.6	Misc Main Pvg/Bckfll	7	(4,570)	(2,183)	(1,419)	(56)	(348)	(31)	(258)	(276)
	Total Maintenance		3,098,410	1,494,449	708,038	76,494	159,544	46,766	274,196	338,923
	Total Transmission and Distribution		5,648,530	3,533,524	1,073,993	88,258	232,283	52,416	315,804	352,251
	CUSTOMER ACCOUNTS									
601.7	Labor - Meter Reading	14	504,584	459,273	35,018	202	3,028	50	7,014	-
636.7	Contracted Services	13	(1,589)	(1,432)	(109)	(1)	(10)	(0)	(37)	(0)
601.7	Labor - Customer Accounts	13	419,534	378,168	28,864	168	2,517	42	9,649	126
670.7	Uncollectible Accounts	20	985,683	869,963	90,486	-	99	-	25,135	-
650.7	Transportation	14	-	-	-	-	-	-	-	-
675.7	Telephone CA	13	62,603	56,430	4,307	25	376	6	1,440	19
675.7	Bank Svc Charges-CA	13	144,373	130,138	9,933	58	866	14	3,321	43
675.7	Cust Edu-Bill Insert	13	10,270	9,257	707	4	62	1	236	3
675.7	Office Supplies	13	-	-	-	-	-	-	-	-
675.7	Collection Agencies	13	460,850	415,410	31,706	184	2,765	46	10,600	138
675.7	Forms CA	13	139,496	125,742	9,597	56	837	14	3,208	42
675.7	Postage	13	585,592	527,853	40,289	234	3,514	59	13,469	176
675.7	Cell Phone CA	13	29,208	26,328	2,010	12	175	3	672	9
675.7	Misc. Operating	13	2,653	2,391	183	1	16	0	61	1
	Total Customers' Accounting and Collecting Expenses		3,343,257	2,999,521	252,990	943	14,244	236	74,767	556
	ADMINISTRATIVE AND GENERAL EXPENSES									
	-OPERATION-									
601.8	Administrative & General Salaries	15	(919,509)	(591,888)	(194,936)	(21,792)	(47,079)	(14,528)	(25,838)	(23,447)
615.8	Purchased Power	15	224,011	144,196	47,490	5,309	11,469	3,539	6,295	5,712
620.8	M&S Operation	15	51,671	33,261	10,954	1,225	2,646	816	1,452	1,318
	Support Services									
	Customer Related	13	1,901,341	1,713,868	130,812	761	11,408	190	43,731	570
	Employee Related	16	789,759	486,097	186,857	22,113	48,175	14,847	15,242	16,427
	Water Quality	1	99,674	47,923	32,324	5,253	9,918	3,628	309	319

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2020 ALLOCATED TO CUSTOMER CLASSIFICATIONS

	Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection	
									Private	Public
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Other	15	6,928,246	4,459,712	1,468,788	164,199	354,726	109,466	194,684	176,670
632.8	Contracted Services	15	769,295	495,195	163,091	18,232	39,388	12,155	21,617	19,617
642.8	Rents	15	3,006	1,935	637	71	154	47	84	77
650.8	Transportation	15	421,787	271,504	89,419	9,996	21,595	6,664	11,852	10,756
656.8	Insurance - Liability, Vehicle and Othe	15	700,915	451,179	148,594	16,612	35,887	11,074	19,696	17,873
658.8	Workers Compensation	16	66,173	40,729	15,657	1,853	4,037	1,244	1,277	1,376
604.8	Employee Pensions and Benefits	16	2,838,987	1,747,397	671,704	79,492	173,178	53,373	54,792	59,051
666.8	Regulatory Expenses	19	410,186	228,392	104,638	11,854	27,400	7,958	11,362	18,581
675.8	Electricity AG	15	69,659	44,839	14,768	1,651	3,567	1,101	1,957	1,776
675.8	Heating Oil/Gas AG	15	4,468	2,876	947	106	229	71	126	114
675.8	Janitorial AG	15	61,891	39,839	13,121	1,467	3,169	978	1,739	1,578
675.8	Add'l Security Costs	15	59,487	38,292	12,611	1,410	3,046	940	1,672	1,517
675.8	Water & WW AG	15	16,777	10,799	3,557	398	859	265	471	428
675.8	Telephone AG	15	15,230	9,804	3,229	361	780	241	428	388
675.8	Cell Phone AG	15	105,562	67,950	22,379	2,502	5,405	1,668	2,966	2,692
675.8	Shipping, Postage and Printing	15	9,102	5,859	1,930	216	466	144	256	232
675.8	Low Income Pay Program	DA	11,764	11,764	-	-	-	-	-	-
675.8	Miscellaneous General Expense	15	363,757	234,150	77,116	8,621	18,624	5,747	10,222	9,276
675.8	Community Relations	15	154,444	99,416	32,742	3,660	7,908	2,440	4,340	3,938
675.8	Injuries and Damages	16	-	-	-	-	-	-	-	-
675.8	Employee Related Expense	16	199,691	122,910	47,247	5,591	12,181	3,754	3,854	4,154
675.8	Software Licenses	15	165,127	106,292	35,007	3,914	8,455	2,609	4,640	4,211
675.8	Office Supplies and Services	15	88,772	57,143	18,820	2,104	4,545	1,403	2,494	2,264
675.8	Trash Removal AG	15	11,956	7,696	2,535	283	612	189	336	305
675.8	Misc Maint AG	15	374,071	240,790	79,303	8,865	19,152	5,910	10,511	9,539
	Total Administrative and General Expenses		15,997,299	10,629,918	3,241,341	356,326	781,899	237,934	402,568	347,312
	Total Operation and Maintenance Expenses		$ 37,987,440	$ 23,519,147	$ 8,775,854	$ 1,103,374	$ 2,283,103	$ 744,919	$ 826,643	$ 734,400

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2020 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection Private	Fire Protection Public
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
503 DEPRECIATION EXPENSE									
Other P/E Intangibles	17	$ 99,644	$ 50,370	$ 27,512	$ 2,910	$ 7,254	$ 1,943	$ 3,258	$ 6,397
Land and Land Rights	2	-	-	-	-	-	-	-	-
Source of Supply Struct & Improv	2	455,774	228,434	147,124	21,649	41,977	14,949	820	820
Collecting & Impounding Reservoirs	1	13,413	6,449	4,350	707	1,335	488	42	43
Lake, River and Other Intakes	2	40,976	20,537	13,227	1,946	3,774	1,344	74	74
SOS and Pumping Equipmen	2	474,059	237,598	153,026	22,518	43,661	15,549	853	853
Water Treatment Pumping Equipmen	2	18,288	9,166	5,903	869	1,684	600	33	33
Supply Mains	2	283,972	142,327	91,666	13,489	26,154	9,314	511	511
Pumping Structures & Improvements	6	250,276	121,108	78,261	8,660	21,273	5,856	7,308	7,809
Power Generation Equipmen	6	221,822	107,340	69,364	7,675	18,855	5,191	6,477	6,921
Other Power Production Equipment	6	-	-	-	-	-	-	-	-
Electric Pumping Equipment	6	667,110	322,814	208,605	23,082	56,704	15,610	19,480	20,814
Diesel Pumping Equipment	6	13,954	6,753	4,364	483	1,186	327	407	435
Hydraulic Pumping Equipment	6	315	153	99	11	27	7	9	10
Other Pumping Equipment	6	-	-	-	-	-	-	-	-
Water Treat Structures & Improv	2	1,258,037	630,528	406,094	59,757	115,865	41,264	2,264	2,264
Water Treat Equipment	2	1,758,232	881,226	567,557	83,516	161,933	57,670	3,165	3,165
Water Treat Filter Media	2	20,741	10,396	6,695	985	1,910	680	37	37
T & D Structures & Improvements	7	20,852	9,959	6,475	254	1,589	140	1,178	1,257
T & D Pumping Equipmen	7	49,545	23,663	15,384	604	3,775	332	2,799	2,988
Distrib. Reservoirs & Standpipes	5	371,205	149,039	97,144	12,287	22,681	7,573	39,867	42,614
Transmission & Distribution Mains									
Not Classified - Distributior	4	30,308	14,600	9,526	97	2,237	-	1,861	1,988
Not Classified - Transmission	3	34,400	15,900	10,234	1,507	2,917	1,042	1,352	1,448
4 inch or less	4	225,851	108,792	70,985	723	16,668	-	13,867	14,816
6 inch to 8 inch	4	1,311,716	631,854	412,272	4,197	96,805	-	80,539	86,049
10 inch to 16 inch	3	748,166	345,802	222,579	32,770	63,444	22,669	29,403	31,498
18 inch or Greater	3	1,587,088	733,552	472,159	69,514	134,585	48,089	62,373	66,816
Services	10	791,862	652,732	86,867	871	11,007	317	40,068	-
Meters	9	948,537	787,476	121,033	3,699	22,765	1,707	11,857	-
Meter Installations	9	862,784	716,283	110,091	3,365	20,707	1,553	10,785	-
Hydrants	8	453,275	-	-	-	-	-	-	453,275
General Structures & Improvements	15	280,227	180,382	59,408	6,641	14,348	4,428	7,874	7,146
Office Structures	15	177,132	114,020	37,552	4,198	9,069	2,799	4,977	4,517
Stores Shop and Gar. Structures	15	35,479	22,838	7,522	841	1,817	561	997	905
Miscellaneous Structures & Improv	15	84,953	54,684	18,010	2,013	4,350	1,342	2,387	2,166
Office Furniture and Equipment	15	129,150	83,134	27,380	3,061	6,612	2,041	3,629	3,293
Computers & Peripheral Equipment	15	59,485	38,290	12,611	1,410	3,046	940	1,672	1,517
Personal Comp and Periph	15	65,505	42,165	13,887	1,552	3,354	1,035	1,841	1,670
Computers and Periph Other	15	297,684	191,619	63,109	7,055	15,241	4,703	8,365	7,591
Computer Mainframe Software	15	1,123,372	723,115	238,155	26,624	57,517	17,749	31,567	28,646
Computer Mainframe Software BT	15	1,086,155	699,158	230,265	25,742	55,611	17,161	30,521	27,697

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2020 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection	
								Private	Public
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Computer Software - Personal	15	(10,078)	(6,487)	(2,137)	(239)	(516)	(159)	(283)	(257)
Computer Software - Special Customized	15	199,469	128,398	42,287	4,727	10,213	3,152	5,605	5,086
Computer Software - Special Customized - CIS	13	102,996	92,841	7,086	41	618	10	2,369	31
Other Software	15	39,250	25,265	8,321	930	2,010	620	1,103	1,001
Other Office Equipment	15	(129)	(83)	(27)	(3)	(7)	(2)	(4)	(3)
Transportation Equip-Light Trucks	15	294,862	189,803	62,511	6,988	15,097	4,659	8,286	7,519
Transportation Equip-Heavy Trucks	15	219,481	141,280	46,530	5,202	11,237	3,468	6,167	5,597
Transportation Equip-Cars	15	17,447	11,230	3,699	413	893	276	490	445
Transportation Equip-Other	15	144,778	93,194	30,693	3,431	7,413	2,287	4,068	3,692
Stores Equipment	15	2,784	1,792	590	66	143	44	78	71
Tools, Shop & Garage Equipment	15	157,725	101,528	33,438	3,738	8,076	2,492	4,432	4,022
Laboratory Equipment	2	108,275	54,268	34,951	5,143	9,972	3,551	195	195
Power Operated Equipment	15	36,595	23,556	7,758	867	1,874	578	1,028	933
Communication Equipment - Non-Telephone	15	27,056	17,416	5,736	641	1,385	427	760	690
Remote Control and Instrumen	15	268,318	172,716	56,883	6,359	13,738	4,239	7,540	6,842
Communication Equipment - Telephone	15	14,863	9,568	3,151	352	761	235	418	379
Miscellaneous Equipment	15	279,078	179,643	59,165	6,614	14,289	4,409	7,842	7,116
Other Tangible Property	15	9,634	6,202	2,042	228	493	152	271	246
Aquisitons	17	52,348	26,462	14,453	1,529	3,811	1,021	1,712	3,361
Total Depreciation Expense		$ 18,316,098	$ 10,382,844	$ 4,543,626	$ 504,312	$ 1,175,235	$ 338,434	$ 486,596	885,050
AMORTIZATION EXPENSE									
Amortization of UPAA	18	24,567	12,448	6,771	717	1,786	479	801	1,565
Amortization Expense	18	263,438	133,484	72,603	7,692	19,152	5,137	8,588	16,781
Total Amortizations		288,004	145,932	79,374	8,410	20,938	5,616	9,389	18,346

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2020 ALLOCATED TO CUSTOMER CLASSIFICATIONS

	Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection Private	Fire Protection Public
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	TAXES, OTHER THAN INCOME									
408.1	Federal and State Payroll Taxes	16	596,010	366,844	141,016	16,688	36,357	11,205	11,503	12,397
408.1	Property Taxes	18	7,032,232	3,563,232	1,938,083	205,341	511,243	137,129	229,251	447,953
408.1	Other Taxes and Licenses	18	10,594	5,368	2,920	309	770	207	345	675
408.1	Utility Reg Assessment	19	215,659	120,079	55,015	6,233	14,406	4,184	5,974	9,769
412.0	ITC	18	(78,492)	(39,772)	(21,632)	(2,292)	(5,706)	(1,531)	(2,559)	(5,000)
	Total Taxes, Other Than Income		7,776,003	4,015,751	2,115,401	226,279	557,070	151,193	244,514	465,794
	INCOME TAXES	18	7,623,714	3,862,936	2,101,096	222,612	554,244	148,662	248,533	485,631
	Utility Operating Income Available for Return	18	36,392,595	18,440,128	10,029,799	1,062,664	2,645,742	709,656	1,186,399	2,318,208
	Total Cost of Service		$ 108,383,855	$ 60,366,739	$ 27,645,150	$ 3,127,652	$ 7,236,332	$ 2,098,480	$ 3,002,074	$ 4,907,429
	Less: Misc. Service	19		-	-	-	-	-	-	-
	Rent	19	96,878	53,942	24,714	2,800	6,471	1,879	2,684	4,389
	Rent I/C	19	154,930	86,265	39,523	4,477	10,349	3,006	4,292	7,018
	NSF Return Check Charge	13	30,840	27,799	2,122	12	185	3	709	9
	Late Payment Fee	13	784,484	707,134	53,972	314	4,707	78	18,043	235
	Reconnection/Activation - T&D Related	7	598,864	286,017	185,947	7,306	45,633	4,012	33,836	36,111
	Application/Initiation Fee	13	765,681	690,185	52,679	306	4,594	77	17,611	230
	Usage Data	13	51,538	46,456	3,546	21	309	5	1,185	15
	AFUDC	18	554,026	280,725	152,690	16,178	40,278	10,804	18,061	35,291
	Total Other Water Revenues		3,037,241	2,178,523	515,192	31,414	112,527	19,864	96,421	83,300
	Total Cost of Service Related to Sales of Water		$ 105,346,614	$ 58,188,215	$ 27,129,958	$ 3,096,238	$ 7,123,804	$ 2,078,616	$ 2,905,653	$ 4,824,129

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 1. ALLOCATION OF COSTS WHICH VARY WITH THE AMOUNT OF WATER CONSUMED.

Factors are based on the pro forma test year average daily consumption for each customer classification.

Customer Classification	Average Daily Consumption, Thousand Gallons	Allocation Factor
(1)	(2)	(3)
Residential	15,429	0.4808
Commercial	10,406	0.3243
Industrial	1,692	0.0527
Other Public Authority	3,194	0.0995
Sales for Resale	1,169	0.0364
Private Fire Protection	98	0.0031
Public Fire Protection	104	0.0032
Total	32,092	1.0000

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM DAY EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the factors for average daily consumption (Factor 1) and the factors derived from maximum day extra capacity demand for each customer classification, as follows:

	Average Daily Consumption		Maximum Day Extra Capacity		
Customer Classification	Allocation Factor 1	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2)x 0.5714	(4)	(5)=(4)x 0.4286	(6)=(3)+(5)
Residential	0.4808	0.2747	0.5285	0.2265	0.5012
Commercial	0.3243	0.1853	0.3208	0.1375	0.3228
Industrial	0.0527	0.0301	0.0406	0.0174	0.0475
Other Public Authority	0.0995	0.0569	0.0821	0.0352	0.0921
Sales for Resale	0.0364	0.0208	0.0280	0.0120	0.0328
Private Fire Protection	0.0031	0.0018			0.0018
Public Fire Protection	0.0032	0.0018			0.0018
Total	1.0000	0.5714	1.0000	0.4286	1.0000

The derivation of the maximum day extra capacity factors in column 4 and the basis for the column 3 and 5 weightings are presented on the following page.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM DAY EXTRA CAPACITY FUNCTIONS, cont.

		Maximum Day Extra Capacity		
Customer Classification	Average Daily Consumption, Thousand Gallons	Factor*	Rate of Flow, Thousand Gallons Per Day	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	15,429	1.00	15,429	0.5285
Commercial	10,406	0.90	9,365	0.3208
Industrial	1,692	0.70	1,184	0.0406
Other Public Authority	3,194	0.75	2,396	0.0821
Sales for Resale	1,169	0.70	818	0.0280
Total	31,890		29,192	1.0000

The weighting of the factors is based on the maximum day ratio of 1.75, based on a review of maximum day ratios experienced during the period 2000 through 2014 (see Schedule D).

	Maximum Day Ratio	Weight
Average Day	1.00	0.5714
Maximum Day Extra Capacity	0.75	0.4286
Total	1.75	1.0000

* Ratio of maximum day to average day minus 1.0.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

	Average Daily Consumption		Maximum Day Extra Capacity		Fire Protection		
Customer Classification	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2) X 0.5268	(4)	(5)=(4) X 0.3951	(6)	(7)=(6) X 0.0781	(8)=(3)+(5)+(7)
Residential	0.4808	0.2533	0.5285	0.2089			0.4622
Commercial	0.3243	0.1708	0.3208	0.1267			0.2975
Industrial	0.0527	0.0278	0.0406	0.0160			0.0438
Other Public Authority	0.0995	0.0524	0.0821	0.0324			0.0848
Sales for Resale	0.0364	0.0192	0.0280	0.0111			0.0303
Private Fire Protection	0.0031	0.0016			0.4831	0.0377	0.0393
Public Fire Protection	0.0032	0.0017			0.5169	0.0404	0.0421
Total	1.0000	0.5268	1.0000	0.3951	1.0000	0.0781	1.0000

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum day ratio of 1.75 and the average daily system sendout for year ending 2017 of 40.5 MGD. The system demand for fire protection is 10,000 Gallons per minute for 10 hours.

	Ratio	Rate of Flow, (GPD)	Weight
Average Day	1.00	40,472,205	0.5268
Maximum Day Extra Capacity	0.75	30,354,154	0.3951
Subtotal	1.75	70,826,359	0.9219
Fire Protection		6,000,000	0.0781
Total		76,826,359	1.0000

The public and private fire protection allocation factors in column 6 on the previous page are based on the relative potential demands (see Schedule E).

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

	Average Hourly Consumption			Maximum Hour Extra Capacity		Fire Protection		
Customer Classification	Thousand Gallons	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)	(4)=(3) X 0.3502	(5)	(6)=(5) X 0.5252	(7)	(8)=(7) X 0.1246	(9)=(4)+(6)+(8)
Residential	642.9	0.5253	0.1840	0.5668	0.2977			0.4817
Commercial	433.6	0.3543	0.1241	0.3622	0.1902			0.3143
Industrial	5.8	0.0047	0.0016	0.0031	0.0016			0.0032
Other Public Authority	133.1	0.1088	0.0381	0.0679	0.0357			0.0738
Sales for Resale	0.0	0.0000	0.0000	0.0000	0.0000			0.0000
Private Fire Protection	4.1	0.0034	0.0012			0.4831	0.0602	0.0614
Public Fire Protection	4.3	0.0035	0.0012			0.5169	0.0644	0.0656
Total	1,223.8	1.0000	0.3502	1.0000	0.5252	1.0000	0.1246	1.0000

The maximum hour extra capacity factors in column 5 are determined on the next page.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum hour ratio of 2.5 and the average daily system sendout for the year ending 2017 of 40.5 MGD. The system demand for fire protection is 10,000 gallons per minute.

	Ratio	Rate of Flow, (GPM)	Weight
Average Hour	1.00	28,106	0.3502
Maximum Hour Extra Capacity	1.50	42,159	0.5252
Subtotal	2.50	70,265	0.8754
Fire Protection		10,000	0.1246
Total		80,265	1.0000

The maximum hour extra capacity factors in column 5 of the previous page are determined as follows:

Customer Classification	Average Hourly Consumption Thousand Gallons	Maximum Hour Extra Capacity Factor*	Maximum Hour Extra Capacity 1,000 Gallons Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	642.9	1.90	1,221.5	0.5668
Commercial	433.6	1.80	780.5	0.3622
Industrial	5.8	1.15	6.7	0.0031
Other Public Authority	133.1	1.10	146.4	0.0679
Sales for Resale	0.0	0.90	0.0	0.0000
Total	1,215.4		2,155.1	1.0000

* Ratio of Maximum Hour To Average Hour Minus 1.0.

The public and private fire protection allocation factors in column 7 on the previous page are based on the relative potential demands (see Schedule E).

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES.

Factors are based on the weighting of the average hourly consumption, the maximum hour extra capacity demand, and the fire protection demand for each customer classification.

	Average Hourly Consumption			Maximum Hour Extra Capacity		Fire Protection		
Customer Classification	Thousand Gallons	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)	(4)=(3) X 0.3119	(5)	(6)=(5) X 0.4679	(7)	(8)=(7) X 0.2202	(9)=(4)+(6)+(8)
Residential	642.9	0.4808	0.1500	0.5373	0.2515			0.4015
Commercial	433.6	0.3243	0.1011	0.3433	0.1606			0.2617
Industrial	70.5	0.0527	0.0164	0.0357	0.0167			0.0331
Other Public Authority	133.1	0.0995	0.0310	0.0644	0.0301			0.0611
Sales for Resale	48.7	0.0364	0.0114	0.0193	0.0090			0.0204
Private Fire Protection	4.1	0.0031	0.0010			0.4831	0.1064	0.1074
Public Fire Protection	4.3	0.0032	0.0010			0.5169	0.1138	0.1148
Total	1,337.2	1.0000	0.3119	1.0000	0.4679	1.0000	0.2202	1.0000

The weighting of the factors is based on the ratio of the capacity required for a 10 hour demand of fire flow, as related to total storage capacity. The calculation is shown on the following page.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES, cont.

The weighting of the factors is based on the ratio of the capacity required for a 10 hour demand of fire flow, as related to total storage capacity.

Fire Protection Weight = $\frac{10{,}000 \text{ GPM X } 60 \text{ Min. X } 10 \text{ Hrs.}}{27{,}250{,}000 \text{ Gallons}}$ = 0.2202

General Service Weight = 1.0000 - 0.2202 = 0.7798

The weighting of the average hourly consumption and maximum hour extra demand for general service is based on the maximum hour ratio, as follows:

	Maximum Hour Ratio	Percent	Weight
Average Hour	1.00	40.00	0.3119
Extra Capacity Maximum Hour	1.50	60.00	0.4679
Total	2.50	100.00	0.7798

Customer Classification	Average Hourly Consumption Thousand Gallons	Maximum Hour Extra Capacity Factor*	1,000 Gallons Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	642.9	1.9	1,221.5	0.5373
Commercial	433.6	1.8	780.5	0.3433
Industrial	70.5	1.2	81.1	0.0357
Other Public Authority	133.1	1.1	146.4	0.0644
Sales for Resale	48.7	0.9	43.8	0.0193
Total	1,328.8		2,273.3	1.0000

* Ratio of Maximum Hour To Average Hour Minus 1.0.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 6. ALLOCATION OF COSTS ASSOCIATED WITH POWER AND PUMPING FACILITIES.

Factors are based on the weighting of the maximum daily consumption, Factor 2, the maximum daily consumption with fire, Factor 3, and the maximum hour consumption, Factor 4, for each customer classification, as follows:

	Maximum Daily Consumption		Maximum Daily Consumption w/ Fire		Maximum Hourly Consumption		
Customer Classification	Allocation Factor 2	Weighted Factor	Allocation Factor 3	Weighted Factor	Allocation Factor 4	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2)X 0.4259	(4)	(5)=(4)X 0.3109	(6)	(7)=(6)X 0.2632	(8)=(3)+ (5)+(7)
Residential	0.5012	0.2134	0.4622	0.1437	0.4817	0.1268	0.4839
Commercial	0.3228	0.1375	0.2975	0.0925	0.3143	0.0827	0.3127
Industrial	0.0475	0.0202	0.0438	0.0136	0.0032	0.0008	0.0346
Other Public Authority	0.0921	0.0392	0.0848	0.0264	0.0738	0.0194	0.0850
Sales for Resale	0.0328	0.0140	0.0303	0.0094	0.0000	0.0000	0.0234
Private Fire Protection	0.0018	0.0008	0.0393	0.0122	0.0614	0.0162	0.0292
Public Fire Protection	0.0018	0.0008	0.0421	0.0131	0.0656	0.0173	0.0312
Total	1.0000	0.4259	1.0000	0.3109	1.0000	0.2632	1.0000

The weighting of the factors is based on the horsepower of pumps associated with maximum day facilities, maximum day and fire facilities, and maximum hour facilities, as follows:

	Horsepower of Pumps	Weight
Associated with Maximum Day	10,200	0.4259
Associated with Maximum Day and Fire	7,447	0.3109
Associated with Maximum Hour	6,305	0.2632
Total	23,952	1.0000

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 7. ALLOCATION OF COSTS ASSOCIATED WITH TRANSMISSION AND DISTRIBUTION MAINS

Factors are based on the weighting of the maximum daily consumption with fire, Factor 3, and the maximum hour consumption, Factor 5, for each customer classification, as follows:

	Maximum Daily Consumption w/ Fire		Maximum Hourly Consumption		
Customer Classification	Allocation Factor 3	Weighted Factor	Allocation Factor 4	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2)X 0.2220	(4)	(5)=(4)X 0.7780	(6)=(3)+(5)
Residential	0.4622	0.1028	0.4817	0.3748	0.4776
Commercial	0.2975	0.0660	0.3143	0.2445	0.3105
Industrial	0.0438	0.0097	0.0032	0.0025	0.0122
Other Public Authority	0.0848	0.0188	0.0738	0.0574	0.0762
Sales for Resale	0.0303	0.0067	0.0000	0.0000	0.0067
Private Fire Protection	0.0393	0.0087	0.0614	0.0478	0.0565
Public Fire Protection	0.0421	0.0093	0.0656	0.0510	0.0603
Total	1.0000	0.2220	1.0000	0.7780	1.0000

The weighting of the factors is based on the total footage of mains, designated as either transmission mains or distribution mains, as follows:

	Total Footage of Mains	Weight
Transmission Mains	2,388,211	0.2220
Distribution Mains	8,370,144	0.7780
Total	10,758,355	1.0000

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 8. ALLOCATION OF COSTS ASSOCIATED WITH FIRE HYDRANTS.

Costs are assigned directly to Public Fire Protection.

Customer Classification	Allocation Factor
(1)	(3)
Public Fire Protection	1.0000
Total	1.0000

FACTOR 9. ALLOCATION OF COSTS ASSOCIATED WITH METERS.

Factors are based on the relative cost of meters by size and customer classification, as developed on the following page and summarized below.

Customer Classification	5/8" Dollar Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	123,657	0.8302
Commercial	19,000	0.1276
Industrial	577	0.0039
Other Public Authority	3,581	0.0240
Sales for Resale	271	0.0018
Private Fire	1,862	0.0125
Total	148,948	1.0000

KENTUCKY-AMERICAN WATER COMPANY

BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

Meter Size	5/8" Dollar Equivalent	Residential		Commercial		Industrial		Other Public Authority		Sales for Resale		Private Fire Protection		Total	
		Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)=(2)X(9)	(11)	(12)=(2)X(11)	(13)	(14)=(2)X(11)	(15)	(16)
5/8	1.0	119,299	119,299	4,603	4,603	6	6	125	125	0	0	1,862	1,862	125,895	125,895
3/4	1.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1	1.8	2,067	3,721	2,425	4,365	4	7	182	328	0	0	0	0	4,678	8,421
1-1/2	3.0	13	39	176	528	2	6	32	96	5	15	0	0	228	684
2	4.0	117	468	2,008	8,032	22	88	405	1,620	4	16	0	0	2,556	10,224
3	12.0	0	0	1	12	0	0	1	12	0	0	0	0	2	24
4	20.0	0	0	30	600	10	200	45	900	6	120	0	0	91	1,820
6	30.0	3	90	14	420	9	270	14	420	4	120	0	0	44	1,320
8	40.0	1	40	11	440	0	0	2	80	0	0	0	0	14	560
Total		121,500	123,657	9,268	19,000	53	577	806	3,581	19	271	1,862	1,862	133,508	148,948

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 10. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES.

Factors are based on the relative cost of services by size and customer classification, as developed on the following page and summarized below.

Customer Classification	3/4" Dollar Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	123,853	0.8243
Commercial	16,487	0.1097
Industrial	159	0.0011
Other Public Authority	2,082	0.0139
Sales for Resale	61	0.0004
Private Fire Protection	7,607	0.0506
Total	150,249	1.0000

KENTUCKY-AMERICAN WATER COMPANY

BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Service Size	3/4" Dollar Equivalent	Residential		Commercial		Industrial		Other Public Authority		Sales for Resale		Private Fire Protection		Total	
		Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)=(2)X(9)	(11)	(12)=(2)X(11)	(13)	(14)=(2)X(11)	(15)	(16)
3/4	1.00	83,715 *	83,715	4,603	4,603	6	6	125	125	0	0	0	0	88,449	88,449
1	2.00	19,859 *	39,718	2,425	4,850	4	8	182	364	0	0	0	0	22,470	44,940
1-1/2	2.20	13	29	176	387	2	4	32	70	5	11	0	0	228	501
2	3.20	117	374	2,008	6,426	22	70	405	1,296	4	13	75	240	2,631	8,419
4	3.50	0	0	31	109	10	35	46	161	6	21	479	1,677	572	2,003
6	4.00	3	12	14	56	9	36	14	56	4	16	968	3,872	1,012	4,048
8	5.10	1	5	11	56	0	0	2	10	0	0	320	1,632	334	1,703
10	8.90	0	0	0	0	0	0	0	0	0	0	13	116	13	116
12	9.50	0	0	0	0	0	0	0	0	0	0	6	57	6	57
>12	12.70	0	0	0	0	0	0	0	0	0	0	1	13	1	13
Total		103,708	123,853	9,268	16,487	53	159	806	2,082	19	61	1,862	7,607	115,716	150,249

*Adjusted to reflect that approximately 35,584 residential customers are served by 1-inch service lines each serving two residences.

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 11. ALLOCATION OF TRANSMISSION AND DISTRIBUTION OPERATION SUPERVISION AND ENGINEERING AND MISCELLANEOUS EXPENSES.

Factors are based on transmission and distribution operation expenses other than those being allocated, as follows:

Customer Classification	Transmission & Distribution Operating Expenses	Allocation Factor
(1)	(2)	(3)
Residential	$ 1,208,538	0.7997
Commercial	216,921	0.1435
Industrial	6,986	0.0046
Other Public Authority	43,140	0.0285
Sales for Resale	3,365	0.0022
Private Fire Protection	24,679	0.0163
Public Fire Protection	7,928	0.0052
Total	1,511,558	1.0000

FACTOR 12. ALLOCATION OF TRANSMISSION AND DISTRIBUTION MAINTENANCE SUPERVISION AND ENGINEERING, STRUCTURES AND IMPROVEMENTS, AND OTHER EXPENSES.

Factors are based on transmission and distribution maintenance expenses other than those being allocated, as follows:

Customer Classification	Transmission & Distribution Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	$ 739,485	0.4823
Commercial	350,358	0.2285
Industrial	37,830	0.0247
Other Public Authority	78,929	0.0515
Sales for Resale	23,129	0.0151
Private Fire Protection	135,664	0.0885
Public Fire Protection	167,675	0.1094
Total	$1,533,071	1.0000

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 13. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of customers.

Customer Classification	Total Customers	Allocation Factor
(1)	(2)	(3)
Residential	121,500	0.9014
Commercial	9,268	0.0688
Industrial	53	0.0004
Other Public Authority	806	0.0060
Sales for Resale	19	0.0001
Private Fire Protection	3,102	0.0230
Public Fire Protection	38	0.0003
Total	134,786	1.0000

FACTOR 14. ALLOCATION OF METER READING COSTS.

Factors are based on the number of metered customers.

Customer Classification	Total Metered Customers	Allocation Factor
(1)	(2)	(3)
Residential	121,500	0.9102
Commercial	9,268	0.0694
Industrial	53	0.0004
Other Public Authority	806	0.0060
Sales for Resale	19	0.0001
Private Fire Protection	1,862	0.0139
Total	133,508	1.0000

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 15. ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSES

Factors are based on the allocation of all other operation and maintenance expenses excluding purchased water, power, chemicals and waste disposal.

Customer Classification	Operation & Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	$ 9,151,436	0.6437
Commercial	3,013,368	0.2120
Industrial	337,353	0.0237
Other Public Authority	727,680	0.0512
Sales for Resale	224,007	0.0158
Private Fire Protection	399,975	0.0281
Public Fire Protection	362,211	0.0255
Total	14,216,029	1.0000

FACTOR 15A. ALLOCATION OF CASH WORKING CAPITAL

Factors are based on the allocation of operation and maintenance expenses including purchased water, power, chemicals, waste disposal, and administrative and general expenses.

Customer Classification	Operation & Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	$ 23,290,756	0.6199
Commercial	8,671,216	0.2308
Industrial	1,091,520	0.0290
Other Public Authority	2,255,703	0.0600
Sales for Resale	736,961	0.0196
Private Fire Protection	815,281	0.0217
Public Fire Protection	715,818	0.0190
Total	37,577,254	1.0000

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 16. ALLOCATION OF LABOR RELATED TAXES AND BENEFITS.

Factors are based on the allocation of direct labor expense.

Customer Classification	Direct Labor Expense	Allocation Factor
(1)	(2)	(3)
Residential	$ 4,802,143	0.6155
Commercial	1,845,995	0.2366
Industrial	218,709	0.0280
Other Public Authority	476,086	0.0610
Sales for Resale	146,914	0.0188
Private Fire Protection	150,428	0.0193
Public Fire Protection	162,173	0.0208
Total	7,802,449	1.0000

FACTOR 17. ALLOCATION OF ORGANIZATION, FRANCHISES AND CONSENTS, MISCELLANEOUS INTANGIBLE PLANT AND OTHER RATE BASE ELEMENTS.

Factors are based on the allocation of the original cost less depreciation other than those items being allocated, as follows:

Customer Classification	Original Cost Less Depreciation	Allocation Factor
(1)	(2)	(3)
Residential	$ 265,420,210	0.5055
Commercial	144,950,258	0.2761
Industrial	15,325,188	0.0292
Other Public Authority	38,218,835	0.0728
Sales for Resale	10,219,491	0.0195
Private Fire Protection	17,157,991	0.0327
Public Fire Protection	33,692,422	0.0642
Total	524,984,395	1.0000

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 18. ALLOCATION OF INCOME TAXES AND INCOME AVAILABLE FOR RETURN.

Factors are based on the allocation of the original cost measure of value rate base as shown on the following pages and summarized below.

Customer Classification	Original Cost Measure of Value	Allocation Factor
(1)	(2)	(3)
Residential	$ 223,549,821	0.5067
Commercial	121,589,302	0.2756
Industrial	12,875,504	0.0292
Other Public Authority	32,055,288	0.0727
Sales for Resale	8,584,638	0.0195
Private Fire Protection	14,365,523	0.0326
Public Fire Protection	28,102,287	0.0637
Total	441,122,362	1.0000

FACTOR 19. ALLOCATION OF REGULATORY COMMISSION EXPENSES, ASSESSMENTS AND OTHER WATER REVENUES.

The factors are based on the allocation of the total cost of service, excluding those items being allocated.

Customer Classification	Total Cost of Service	Allocation Factor
(1)	(2)	(3)
Residential	$ 60,018,268	0.5568
Commercial	27,485,497	0.2551
Industrial	3,109,565	0.0289
Other Public Authority	7,194,525	0.0668
Sales for Resale	2,086,339	0.0194
Private Fire Protection	2,984,738	0.0277
Public Fire Protection	4,879,078	0.0453
Total	107,758,010	1.0000

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2020 ALLOCATED TO CUSTOMER CLASSIFICATIONS

	Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection Private	Fire Protection Public
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	RATE BASE									
301.0	Organization	17	550,660	278,358	152,037	16,079	40,088	10,738	18,007	35,352
302.0	Franchise and Consents	17	70,261	35,517	19,399	2,052	5,115	1,370	2,298	4,511
339.1	Other P/E Intangibles	17	180,470	91,228	49,828	5,270	13,138	3,519	5,901	11,586
339.3	Other P/E CPS	17	409,706	207,106	113,120	11,963	29,827	7,989	13,397	26,303
303.2	Land and Land Rights - SS	2	1,113,292	557,982	359,371	52,881	102,534	36,516	2,004	2,004
304.1	Source of Supply Struct & Improv	2	16,291,306	8,165,203	5,258,834	773,837	1,500,429	534,355	29,324	29,324
305.0	Collecting &Impounding Reservoirs	1	522,775	251,350	169,536	27,550	52,016	19,029	1,621	1,673
306.0	Lake, River and Other Intakes	2	1,488,619	746,096	480,526	70,709	137,102	48,827	2,680	2,680
309.0	Supply Mains	2	13,541,033	6,786,766	4,371,045	643,199	1,247,129	444,146	24,374	24,374
311.5	Pumping Equipment - SS	2	14,727,534	7,381,440	4,754,048	699,558	1,356,406	483,063	26,510	26,510
303.3	Pumping Land & Land Rights	6	277,216	134,145	86,685	9,592	23,563	6,487	8,095	8,649
304.2	Pumping Structures & Improvements	6	6,742,246	3,262,573	2,108,300	233,282	573,091	157,769	196,874	210,358
310.0	Other Power Production Equipment	6	6,173,355	2,987,287	1,930,408	213,598	524,735	144,457	180,262	192,609
311.2	Electric Pumping Equipment	6	19,352,948	9,364,891	6,051,667	669,612	1,645,001	452,859	565,106	603,812
311.2	Diesel Pumping Equipment	6	227,185	109,935	71,041	7,861	19,311	5,316	6,634	7,088
311.4	Hydraulic Pumping Equipemen	6	(2,685)	(1,299)	(839)	(93)	(228)	(63)	(78)	(84)
311.5	Other Pumping Equipmen	6	-	-	-	-	-	-	-	-
303.4	Land and Land Rights - WT	2	800,183	401,052	258,299	38,009	73,697	26,246	1,440	1,440
304.3	Water Treat Structures & Improv	2	37,578,178	18,834,183	12,130,236	1,784,963	3,460,950	1,232,564	67,641	67,641
311.5	Pumping Equipment - WT	2	645,648	323,599	208,415	30,668	59,464	21,177	1,162	1,162
320.1	Water Treat Equipment	2	49,256,051	24,687,133	15,899,853	2,339,662	4,536,482	1,615,598	88,661	88,661
320.2	WT Filter Media	2	293,281	146,992	94,671	13,931	27,011	9,620	528	528
303.5	Land and Land Rights - T&D	7	7,565,466	3,613,267	2,349,077	92,299	576,489	50,689	427,449	456,198
304.4	T & D Structures & Improvements	7	819,516	391,401	254,460	9,998	62,447	5,491	46,303	49,417
311.5	Pumping Equipment - T&D	7	1,666,956	796,138	517,590	20,337	127,022	11,169	94,183	100,517
330.0	Distrib. Reservoirs & Standpipes	5	14,039,000	5,636,659	3,674,006	464,691	857,783	286,396	1,507,789	1,611,677
331.0	Transmission & Distribution Mains									
	Not Classified - Distributior	4	4,286,220	2,064,672	1,347,159	13,716	316,323	-	263,174	281,176
	Not Classified - Transmission	3	4,864,837	2,248,528	1,447,289	213,080	412,538	147,405	191,188	204,810
	4 inch or less	4	11,670,721	5,621,786	3,668,108	37,346	861,299	-	716,582	765,599
	6 inch to 8 inch	4	81,447,917	39,233,461	25,599,080	260,633	6,010,856	-	5,000,902	5,342,983
	10 inch to 16 inch	3	44,057,090	20,363,187	13,106,984	1,929,701	3,736,041	1,334,930	1,731,444	1,854,803
	18 inch or Greater	3	65,570,840	30,306,842	19,507,325	2,872,003	5,560,407	1,986,796	2,576,934	2,760,532
333.0	Services	10	8,745,042	7,208,538	959,331	9,620	121,556	3,498	442,499	-
334.0	Meters	9	14,819,770	12,303,373	1,891,003	57,797	355,674	26,676	185,247	-
334.0	Meter Installations	9	19,728,061	16,378,236	2,517,301	76,939	473,473	35,511	246,601	-
335.0	Fire Hydrants	8	16,374,383	-	-	-	-	-	-	16,374,383
304.5	Office Structures	15	13,867,946	8,926,797	2,940,004	328,670	710,039	219,114	389,689	353,633
340.1	Office Furniture and Equipment	15	2,200,144	1,416,232	466,430	52,143	112,647	34,762	61,824	56,104
340.2	Computer Equipment and Software	15	4,718,196	3,037,103	1,000,258	111,821	241,572	74,547	132,581	120,314
340.3	Computer Software - Special - CIS	13	1,306,231	1,177,436	89,869	522	7,837	131	30,043	392
340.3	Computer Software - Special - Other	15	2,529,726	1,628,384	536,302	59,954	129,522	39,970	71,085	64,508
341.0	Transportation Equip	15	4,637,183	2,984,954	983,083	109,901	237,424	73,267	130,305	118,248
342.0	Stores Equipment	15	60,601	39,009	12,847	1,436	3,103	957	1,703	1,545
343.0	Tools, Shop & Garage Equipment	15	2,040,246	1,313,306	432,532	48,354	104,461	32,236	57,331	52,026
344.0	Laboratory Equipment	2	830,372	416,182	268,044	39,443	76,477	27,236	1,495	1,495
345.0	Power Operated Equipment	15	345,165	222,182	73,175	8,180	17,672	5,454	9,699	8,802
346.0	Communication Equipment	15	2,540,001	1,634,998	538,480	60,198	130,048	40,132	71,374	64,770
347.0	Miscellaneous Equipment	15	4,285,026	2,758,271	908,425	101,555	219,393	67,703	120,409	109,268
348.0	Other Tangible Property	15	65,195	41,966	13,821	1,545	3,338	1,030	1,832	1,662
	Plant Acquisition	17	886,218	447,983	244,685	25,878	64,517	17,281	28,979	56,895
	Total Plant in Service, Net of Accumulatec Depreciation, Contributions and Advances		506,207,326	256,962,429	139,913,148	14,651,945	36,956,821	9,783,961	15,781,083	32,157,939

KENTUCKY AMERICAN WATER COMPANY

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2020 ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Sales for Resale	Fire Protection	
								Private	Public
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
OTHER RATE BASE ELEMENTS									
Utility Plant Acquisition Adjustments	17	225,195	113,836	62,176	6,576	16,394	4,391	7,364	14,458
CWIP - Water Treatment Plant and Supply Mains	2	2,768,442	1,387,543	893,653	131,501	254,973	90,805	4,983	4,983
CWIP - T&D Mains	3	1,965,909	908,643	584,858	86,107	166,709	59,567	77,260	82,765
CWIP - Source of Supply	5	51,058	20,500	13,362	1,690	3,120	1,042	5,484	5,861
CWIP - Ground Level Tanks	5	34,038	13,666	8,908	1,127	2,080	694	3,656	3,908
CWIP - Pumping	6	645,285	312,254	201,781	22,327	54,849	15,100	18,842	20,133
CWIP - Meters and Meter Installations	9	245,986	204,217	31,388	959	5,904	443	3,075	-
CWIP - Services	10	208,985	172,266	22,926	230	2,905	84	10,575	-
CWIP - Hydrants	8	147,084	-	-	-	-	-	-	147,084
CWIP - Other	15	1,792,424	1,153,783	379,994	42,480	91,772	28,320	50,367	45,707
Working Capital	15A	4,561,789	2,827,853	1,052,861	132,292	273,707	89,411	98,991	86,674
Deferred Income Taxes	17	(90,721,671)	(45,859,805)	(25,048,253)	(2,649,073)	(6,604,538)	(1,769,073)	(2,966,599)	(5,824,331)
Deferred Investment Tax Credits	17	(10,001)	(5,056)	(2,761)	(292)	(728)	(195)	(327)	(642)
Deferred Maintenance - Tank Painting	5	11,816,493	4,744,322	3,092,376	391,126	721,988	241,056	1,269,091	1,356,533
Deferred Debits - Source of Supply	2	1,198,681	600,779	386,934	56,937	110,399	39,317	2,158	2,158
Other Rate Base Elements	17	(14,660)	(7,411)	(4,048)	(428)	(1,067)	(286)	(479)	(941)
Total Other Rate Base Elements		(65,084,964)	(33,412,608)	(18,323,846)	(1,776,441)	(4,901,533)	(1,199,324)	(1,415,560)	(4,055,652)
Total Original Cost Measure of Value		441,122,362	223,549,821	121,589,302	12,875,504	32,055,288	8,584,638	14,365,523	28,102,287

KENTUCKY AMERICAN WATER COMPANY

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 20. ALLOCATION OF UNCOLLECTIBLE ACCOUNTS

Factors are based on three years of net charge-offs by customer classification.

Customer Classification	Net Charge-Offs	Allocation Factor
(1)	(2)	(3)
Residential	$ 2,291,576	0.8826
Commercial	238,241	0.0918
Industrial	54	0.0000
Other Public Authority	383	0.0001
Sales for Resale	28	0.0000
Private Fire	66,118	0.0255
Total	2,596,399	1.0000

KENTUCKY-AMERICAN WATER COMPANY

SUMMARY OF AVERAGE DAY AND PEAK DAY DELIVERY FOR THE YEARS 2000-2017

Year	Annual Sendout (MG)	Average Day (MGD)	Peak Day (MGD)	Date	Max Day Ratio	Max Hour (MGD)	Max Hour Ratio
(1)	(2)	(3)	(4)	(5)	(6)		
2017	14,772	40.47	60.50	7/20	1.49		
2016	14,935	40.92	56.19	09/14	1.37		
2015	14,292	39.16	57.58	9/05	1.47		
2014	13,955	38.23	56.89	7/12	1.49	91.800	2.40
2013	13,271	36.36	52.66	9/29	1.45	84.100	2.31
2012	14,310	39.21	68.95	6/30	1.76	96.900	2.47
2011	13,785	37.77	55.82	6/8	1.48	78.900	2.09
2010	14,817	40.60	61.36	9/23	1.51	93.650	2.31
2009	13,905	38.09	53.40	7/17	1.40	76.652	2.01
2008	15,644	42.86	63.09	8/21	1.47	96.576	2.25
2007	15,734	43.11	64.30	6/15	1.49	84.092	1.95
2006	15,619	42.79	67.22	8/7	1.57	82.652	1.93
2005	16,068	44.02	69.65	8/2	1.58	109.398	2.49
2004	14,931	40.91	56.89	6/29	1.39	76.750	1.88
2003	15,005	41.11	61.37	7/8	1.49	83.630	2.03
2002	15,956	43.72	71.82	8/5	1.64	107.500	2.46
2001	14,962	40.99	56.04	6/19	1.37	91.620	2.24
2000	14,565	39.90	66.37	6/13	1.66	85.076	2.13

KENTUCKY AMERICAN WATER COMPANY

BASIS FOR ALLOCATING DEMAND RELATED COSTS OF FIRE SERVICE TO PRIVATE AND PUBLIC FIRE PROTECTION CUSTOMER CLASSIFICATIONS

Description	Restrictive Diameters Squared	Quantity	Relative Demand*	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
PRIVATE FIRE PROTECTION				
Fire Lines				
2 -inch	4.0	75	450	
3 -inch	9.0	0	0	
4 -inch	16.0	479	11,496	
6 -inch	36.0	968	52,272	
8 -inch	64.0	320	30,720	
10 -inch	100.0	13	1,950	
12 -inch	144.0	6	1,296	
14 -inch	196.0	0	0	
16 -inch	256.0	1	384	
Private Hydrants	27.6	1,240	51,336	
Total Private Fire Protection		3,102	149,904	0.4831
PUBLIC FIRE PROTECTION				
4 -1/4 inch w/ 2-2 1/2, 1-4 1/2	20.3	6,542	132,803	
5 -1/4 inch w/ 2-2 1/2, 1-4 1/2	27.6	1,000	27,600	
Total Public Fire Prorection		7,542	160,403	0.5169
Total Fire Protection		10,644	310,307	1.0000

* Relative Demand for Private Fire lines and hydrants are calculated at 1.5 times the Public Fire Relative Demand.

PART III. PROPOSED CUSTOMER RATES

KENTUCKY-AMERICAN WATER COMPANY

CALCULATION OF MONTHLY SERVICE CHARGES

Cost Function	Cost of Service	Number of Units	Description	Cost Per Unit Per Month
(1)	(2)	(3)	(4)	(5)
Meters	$ 11,802,094	147,086	5/8-inch meter equivalents	$ 6.69
Services	2,865,763	142,642	3/4-inch service equivalents	1.67
Billing & Collecting	8,638,779	131,646	Number of customers	5.47
Unrecovered Public Fire	374,952	147,086	5/8-inch meter equivalents	0.21
Readiness to Service - Mains	8,899,394	131,646	Number of customers	5.63
Total	$ 23,681,588			$ 19.67

KENTUCKY-AMERICAN WATER COMPANY

COMPARISON OF PRESENT AND PROPOSED RATES

SERVICE AREA 1

Meter Charges, Per Month

Meter Size	Present Rate Residential	Present Rate Non-Residential	Proposed Rate
5/8	$12.57	$13.69	$ 15.00
3/4	18.74	20.46	22.40
1	31.23	34.07	37.30
1-1/2	62.45	68.17	74.70
2	99.92	109.04	119.50
3	187.35	204.47	224.00
4	312.25	340.77	373.40
6	624.50	681.50	746.70
8	999.20	1,090.40	1,194.70

Consumption Charges:	Per Thousand Gallons Present	Proposed
Residential	$ 5.059	$ 6.364
Commercial	$ 4.412	$ 5.712
Industrial	$ 3.834	$ 4.750
Other Public Authority	$ 4.053	$ 5.191
Sales for Resale	$ 3.837	$ 4.760

Fire Protection:

Private Fire Line Size	Present Rate Per Month	Proposed Rate Per Month
2	$ 8.11	$ 9.16
4	32.67	36.92
6	73.49	83.04
8	130.64	147.62
10	204.18	230.72
12	294.43	332.71
14	423.96	479.07
16	522.81	590.78
PrivateFire Hydrant	70.90	80.12
Public Fire Hydrant	$ 39.90	$ 49.16

KENTUCKY-AMERICAN WATER COMPANY

COMPARISON OF PRESENT AND PROPOSED RATES

EASTERN ROCKCASTLE COUNTY SERVICE AREA

Meter Size	Present Rates Minimum Bill	Allowance	Rate per 1,000 Over Minimum Bill
5/8	28.28	2,000	$ 11.30
3/4	28.28	2,000	$ 11.30
1	62.87	5,000	$ 11.30
2	178.17	15,000	$ 11.30

Meter Size	Proposed Rates Meter Charge	Allowance
5/8	15.00	-
3/4	22.40	-
1	37.30	-
2	119.50	-

Consumption Charges:

Residential	$	6.3640
Commercial	$	5.7120

KENTUCKY-AMERICAN WATER COMPANY

COMPARISON OF PRESENT AND PROPOSED RATES

NORTH MIDDLETON SERVICE AREA

Meter Size	Present Rates Minimum Bill	Allowance
Residential		
All Meter Sizes	$ 31.52	2,000
Consumption Rate		
First Block - Next 3,000 gallons		$ 12.3300
Second Block - Next 5,000 gallons		$ 11.0700
Third Block - Over 10,000 gallons		$ 9.4800
Non-Residential		
All Meter Sizes	$ 28.79	2,000
Consumption Rate		
All Usage Over Allowance		$ 17.8700
Sales for Resale		
All Usage Over Allowance		$ 4.5700

Meter Size	Proposed Rates Meter Charge	Allowance
5/8	15.00	-
2	119.50	-
4	373.40	-

Consumption Charges:	Per Thousand Gallons
Residential	$ 6.3640
Commercial	$ 5.7120
Sales for Resale	$ 4.7600